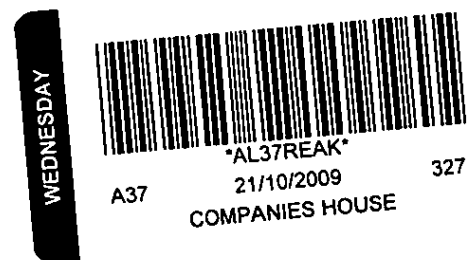


COMPANY REGISTRATION NUMBER 773331

**NUMATIC INTERNATIONAL LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2008**



**STEWART & CO**  
Chartered Accountants & Registered Auditor  
Knoll House, Knoll Road  
Camberley, Surrey  
GU15 3SY

# **NUMATIC INTERNATIONAL LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

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# **NUMATIC INTERNATIONAL LIMITED**

## **THE DIRECTOR'S REPORT**

### **YEAR ENDED 31 DECEMBER 2008**

The director has pleasure in presenting his report and the financial statements of the group for the year ended 31 December 2008.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the group during the year was that of design, manufacturer and distribution of professional cleaning equipment.

Numatic International manufacture an exceptionally wide range of professional cleaning equipment amongst which there are also the iconic Henry and Hetty professional vacuum cleaners which also sell extensively into our rapidly growing retail sector. 40% of our production is exported.

Our total worldwide manufacturing facility is based in Chard where we employ 700 people with a further 100 in overseas sales operations. Employee relationships remain strong with good communications both at Work's Council and GMB levels. For the trading year of 2009 we will maintain our wage strategy at the same level as the previous seven years with increases part paid in wages and part in increased pension contributions. This policy has shown to substantially improve employee loyalty with minimal staff turnover.

Our performance for the year showed a good level of profit in line with our expectations even though we only had a stable trading environment during the first nine months of the year with the last three months turning into near chaos worldwide. The £ Sterling depreciated by 25% against both the US Dollar and the Euro and the media projections for 2009 sapped virtually every ounce of confidence out of the global economy. We will continue our long established policy of selling and buying in three currencies, £ Sterling, US Dollars and Euros, providing a partial hedge against these exchange movements.

As a UK based manufacturer we are, unfortunately, finding that less and less of our raw materials and components can be sourced locally with the majority now imported from Euro or US Dollar based suppliers, making us, as a Company, very sensitive to the fluctuations of the foreign exchange market. The majority of our suppliers have remained constant and long term but, unfortunately, one or two have ceased operation during these difficult times and have needed to be replaced.

The only item of negative news for the group related solely to our French subsidiary, which provides 8% of our turnover, where we uncovered serious misdoings at the most senior level which necessitated a major change of top management and the commencement of criminal proceedings to recover funds discovered to have been misappropriated during both 2007 and 2008. We have found it prudent to make full provision for the misappropriated monies but, in addition, we have depreciated stock levels to reflect substantial unauthorized purchases of material of no Numatic value. Although a Euro adjustment, the Sterling equivalent amounts to a total of £3,828,000 but, by virtue of the fact that these adjustments relate to an overseas subsidiary, they are not offsetable against the normal UK tax liability.

We are, however, quite happy that, now discovered and dealt with, this unfortunate episode will have no impact on 2009 sales and profit performance.

On the more positive side, our new 5,000 sq m increased warehouse facility is on target for completion by mid year ready to provide improved distribution facilities for 2010.

# **NUMATIC INTERNATIONAL LIMITED**

## **THE DIRECTOR'S REPORT *(continued)***

### **YEAR ENDED 31 DECEMBER 2008**

Our new product introductions for 2009 are now available but may not necessarily be fast moving in the current environment. In one respect this will be advantageous especially with the new Vario ride-on scrubber dryer as it will allow us to concentrate on maximising product quality and field reliability for this important new addition during the introduction of this product to the world market.

Good products, good suppliers, good staff and good facilities are, and always have been, the backbone of Numatic but to this we will need to add a liberal supply of additional effort in order to balance the market instability that has been a direct result of the high level of irresponsibility being uncovered within the international financial sector which is set to affect us all in one way or another during 2009.

#### **RESULTS AND DIVIDENDS**

The loss for the year, after taxation, amounted to £640,000. The director has not recommended a dividend.

#### **FINANCIAL INSTRUMENTS**

The company does not use any financial instruments to hedge its risks associated with price, credit, liquidity or cash flow.

#### **DIRECTOR**

The director who served the company during the year was as follows:

Mr C R Duncan

#### **DIRECTOR'S RESPONSIBILITIES**

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

# NUMATIC INTERNATIONAL LIMITED

## THE DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2008

The director is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable him to ensure that the financial statements comply with the Companies Act 1985. He 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.

In so far as the director is aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the director has taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### DISABLED EMPLOYEES

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.

### EMPLOYEE INVOLVEMENT

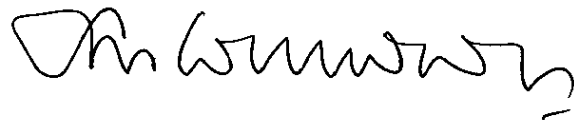
The group involves employees in the business in various ways. Regular meetings are held between managers and the Union Representatives of staff to discuss any issues arising and the Health and Safety Committee liaises with staff. Furthermore, wages are based on a productivity scheme, which involves disclosure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

### AUDITOR

Stewart & Co are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:  
Knoll House  
Knoll Road  
Camberley  
Surrey  
GU15 3SY

Signed by order of the director



MR S WHITLOCK  
Company Secretary

Approved by the director on 20 October 2009

**NUMATIC INTERNATIONAL LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**NUMATIC INTERNATIONAL LIMITED**  
**YEAR ENDED 31 DECEMBER 2008**

We have audited the group and parent company financial statements ("the financial statements") of NUMATIC INTERNATIONAL LIMITED for the year ended 31 December 2008, which have been prepared on the basis of the accounting policies set out on pages 11 to 14.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

**RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITOR**

The director's responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Director's Responsibilities.

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 whether in our opinion the information given in the Director's Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 director's remuneration and other transactions 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, except that the scope of our work was limited as explained below.

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 group's and company's circumstances, consistently applied and adequately disclosed.

We planned 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.

**NUMATIC INTERNATIONAL LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**NUMATIC INTERNATIONAL LIMITED** *(continued)*

**YEAR ENDED 31 DECEMBER 2008**

However, the evidence available to us was limited, because the auditors of Numatic International SA, a wholly owned subsidiary incorporated in France, have not completed their audit due to ongoing legal proceedings regarding irregular activities by former management of that subsidiary. Accordingly, the amounts included in the accompanying consolidated financial statements in respect of this subsidiary of £3,967,000 loss and £1,773,000 net liabilities are based on unaudited management accounts. There were no other satisfactory procedures that we could adopt to verify these amounts.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE**

Except for the financial effects of such adjustments, if any, as might have been determined necessary had we been able to obtain sufficient evidence concerning the management accounts of Numatic International SA, 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 group's and the parent company's affairs as at 31 December 2008 and of the groups profit for the year then ended;
- 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.

In respect solely to the accounts of Numatic International SA, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit.

**Emphasis of matter - possible outcome of legal proceedings**

In forming our opinion on the financial statements, which is qualified due to a limitation in audit scope, we have considered the adequacy of the disclosures made in note 18 to the financial statements concerning the possible outcome of legal proceedings, alleging the misappropriation of assets owned by Numatic International SA, where the company is the claimant. The ultimate outcome of the matter cannot presently be determined, and full provision has been made for the assets in question in the financial statements.



Knoll House  
Knoll Road  
Camberley  
Surrey  
GU15 3SY

STEWART & CO  
Chartered Accountants  
& Registered Auditor

20 October 2009

# NUMATIC INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2008

	Note	2008 £000	2007 £000
<b>GROUP TURNOVER</b>	<b>2</b>	<b>93,427</b>	<b>85,227</b>
Cost of sales		<u>59,656</u>	<u>57,139</u>
<b>GROSS PROFIT</b>		<b>33,771</b>	<b>28,088</b>
Distribution costs		2,686	2,227
Administrative expenses		29,441	20,445
Other operating income	3	(144)	(53)
<b>OPERATING PROFIT</b>	<b>4</b>	<b>1,788</b>	<b>5,469</b>
Attributable to:			
Operating profit before exceptional items		4,230	5,469
Exceptional items	4	(2,442)	—
		<u>1,788</u>	<u>5,469</u>
Interest receivable		37	46
Interest payable and similar charges	7	(636)	(289)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>1,189</b>	<b>5,226</b>
Tax on profit on ordinary activities	8	1,829	798
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	<b>9</b>	<b>(640)</b>	<b>4,428</b>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985  
not to publish its own Profit and Loss Account.

The notes on pages 11 to 30 form part of these financial statements.



**NUMATIC INTERNATIONAL LIMITED**  
**GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**YEAR ENDED 31 DECEMBER 2008**

	2008 £000	2007 £000
(Loss)/Profit for the financial year		
attributable to the shareholders of the parent company	(640)	4,428
Actuarial gain/(loss) in respect of defined benefit pension scheme	(2,694)	2,171
Deferred tax in respect of defined benefit pension scheme	658	(651)
	<u>(2,676)</u>	<u>5,948</u>
Exchange differences on retranslation of net assets of subsidiary undertakings	1,243	383
Total gains and losses recognised since the last annual report	<u>(1,433)</u>	<u>6,331</u>

The notes on pages 11 to 30 form part of these financial statements.

# NUMATIC INTERNATIONAL LIMITED

## GROUP BALANCE SHEET

31 DECEMBER 2008

	Note	2008 £000	2007 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	190	214
Tangible assets	11	29,527	25,323
		<u>29,717</u>	<u>25,537</u>
<b>CURRENT ASSETS</b>			
Stocks	13	15,189	12,334
Debtors	14	18,118	14,239
Cash at bank		720	1,571
		<u>34,027</u>	<u>28,144</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>18,332</u>	<u>12,416</u>
<b>NET CURRENT ASSETS</b>		<u>15,695</u>	<u>15,728</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>45,412</u>	<u>41,265</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	4,479	2,717
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	17	204	231
Other provisions	18	2,442	—
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>38,287</u>	<u>38,317</u>
Defined benefit pension scheme liability	19	(4,769)	(3,366)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>33,518</u>	<u>34,951</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	23	5,000	5,000
Profit and loss account	24	28,518	29,951
<b>SHAREHOLDERS' FUNDS</b>	25	<u>33,518</u>	<u>34,951</u>

These financial statements were approved and signed by the director and authorised for issue on 20 October 2009.

  
MR C R DUNCAN

The notes on pages 11 to 30 form part of these financial statements.

# NUMATIC INTERNATIONAL LIMITED

## BALANCE SHEET

31 DECEMBER 2008

	Note	2008 £000	2007 £000
<b>FIXED ASSETS</b>			
Intangible assets	10	97	50
Tangible assets	11	24,222	21,000
Investments	12	7,545	7,545
		<u>31,864</u>	<u>28,595</u>
<b>CURRENT ASSETS</b>			
Stocks	13	9,865	7,874
Debtors	14	20,454	16,618
Cash at bank		29	669
		<u>30,348</u>	<u>25,161</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	<u>15,196</u>	<u>10,517</u>
<b>NET CURRENT ASSETS</b>		<u>15,152</u>	<u>14,644</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>47,016</u>	<u>43,239</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	16	2,272	1,322
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	17	204	231
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		<u>44,540</u>	<u>41,686</u>
Defined benefit pension scheme liability	19	(4,769)	(3,366)
<b>NET ASSETS INCLUDING PENSION LIABILITY</b>		<u>39,771</u>	<u>38,320</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	23	5,000	5,000
Profit and loss account	24	34,771	33,320
<b>SHAREHOLDERS' FUNDS</b>		<u>39,771</u>	<u>38,320</u>

These financial statements were approved and signed by the director and authorised for issue on 20 October 2009.

MR C R DUNCAN

Company Registration Number: 773331

The notes on pages 11 to 30 form part of these financial statements.

**NUMATIC INTERNATIONAL LIMITED**  
**GROUP CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2008**

	Note	2008 £000	2007 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	26	3,092	5,182
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	26	(429)	(225)
TAXATION	26	(1,839)	(831)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(5,370)	(2,307)
ACQUISITIONS AND DISPOSALS	26	—	—
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(4,546)	1,819
FINANCING	26	1,798	(440)
(DECREASE)/INCREASE IN CASH	26	<u>(2,748)</u>	<u>1,379</u>

The notes on pages 11 to 30 form part of these financial statements.

# **NUMATIC INTERNATIONAL LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2008**

### **1. ACCOUNTING POLICIES**

#### **Basis of accounting**

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

#### **Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

#### **Research and development**

Research and development expenditure is written off in the year in which it is incurred.

#### **Goodwill**

Positive purchased goodwill arising on acquisitions is capitalised, classified as an asset on the Balance Sheet and amortised over its estimated useful life up to a maximum of 20 years. This length of time is presumed to be the maximum useful life of purchased goodwill because it is difficult to make projections beyond this period. Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently as and when necessary if circumstances emerge that indicate that the carrying value may not be recoverable.

#### **Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill	- 5 or 15 years
Patents	- Between 10 and 20 years straight line

#### **Fixed assets**

All fixed assets are initially recorded at cost.

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 1. ACCOUNTING POLICIES *(continued)*

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 2% per annum straight line (France 15 years)
Plant & Machinery	- On a straight line monthly basis over the first 6 years to 10% of cost, thereafter its value in use is reassessed on an annual basis and 20% reducing balance (France over 5 and 10 years straight line)
Computer Equipment	- On a straight line basis over the first 3 years to 10% of cost, thereafter its value in use is reassessed on an annual basis (France between 3 and 5 years straight line)
Motor Vehicles	- 20%-33% per annum straight line
Tooling	- On a straight line monthly basis over 4 to 10 years

#### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### Pension costs and other post-retirement benefits

The group operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the group.

Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the profit and loss account. Past service costs are recognised over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the profit and loss account during the period in which the settlement or curtailment occurs.

The interest cost and the expected return on assets are shown as a net amount in the profit and loss account as other finance costs or income. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 1. ACCOUNTING POLICIES *(continued)*

Pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Pension scheme deficits are recognised in full on the balance sheet, net of related deferred tax.

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.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the director considers that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### **Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 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.

### 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.

### 3. OTHER OPERATING INCOME

	2008 £000	2007 £000
Rent receivable	47	16
Other operating income	97	37
	<u>144</u>	<u>53</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2008 £000	2007 £000
Amortisation of intangible assets	127	95
Depreciation of owned fixed assets	2,306	2,059
Loss/(Profit) on disposal of fixed assets	136	(11)
Operating lease costs:		
- Plant and equipment	243	256
- Motor vehicles	523	514
- Land and buildings	245	244
Net loss/(profit) on foreign currency translation	559	(549)
Auditor's remuneration - audit of the financial statements	50	50
Auditor's remuneration - other fees	132	96
Provision for losses in Numatic International SA	<u>2,442</u>	<u>—</u>



**NUMATIC INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**4. OPERATING PROFIT** *(continued)*

Stewart & Co

	2008 £000	2007 £000
Auditor's remuneration - audit of the financial statements	<u>50</u>	<u>50</u>
Auditor's remuneration - other fees:		
- Other services	<u>-</u>	<u>7</u>
Overseas auditors		

	2008 £000	2007 £000
Auditor's remuneration - other fees:		
- Local statutory audit of subsidiary	<u>132</u>	<u>89</u>

**5. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the group during the financial year amounted to:

	2008 No	2007 No
Number of production staff	613	613
Number of administrative staff	<u>192</u>	<u>184</u>
	<u>805</u>	<u>797</u>

The aggregate payroll costs of the above were:

	2008 £000	2007 £000
Wages and salaries	22,486	21,403
Social security costs	1,513	1,475
Other pension costs	<u>1,273</u>	<u>1,647</u>
	<u>25,272</u>	<u>24,525</u>

Other pension costs are amounts charged to operating profit and do not include amounts charged to finance costs (see note 7) and amounts recognised in the statement of recognised gains and losses.

**NUMATIC INTERNATIONAL LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2008**

**6. DIRECTOR'S EMOLUMENTS**

The director's aggregate emoluments in respect of qualifying services were:

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Emoluments receivable	<b><u>896</u></b>	<b><u>868</u></b>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Other similar charges payable	<b><u>636</u></b>	<b><u>289</u></b>

**8. TAXATION ON ORDINARY ACTIVITIES**

**(a) Analysis of charge in the year**

	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>
Current tax:		
<b>UK Taxation</b>		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2007 - 30%)	<b>1,454</b>	<b>1,581</b>
<b>Foreign tax</b>		
Current tax on income for the year	<b><u>156</u></b>	<b><u>120</u></b>
Total current tax	<b><u>1,610</u></b>	<b><u>1,701</u></b>
Deferred tax:		
Origination and reversal of timing differences	<b><u>219</u></b>	<b><u>(903)</u></b>
Tax on profit on ordinary activities	<b><u>1,829</u></b>	<b><u>798</u></b>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 8. TAXATION ON ORDINARY ACTIVITIES *(continued)*

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2007 - 30%).

	2008 £000	2007 £000
Profit on ordinary activities before taxation	<u>1,189</u>	<u>5,226</u>
Profit on ordinary activities by rate of tax	333	1,568
Expenses not deductible for tax purposes	111	124
Capital allowances for period in excess of depreciation	27	(66)
Overseas taxation	156	120
Tax adjustment for overseas subsidiaries	1,229	90
Tax adjustment for pension costs under FRS17	(246)	(111)
Sundry tax adjusting items	-	(24)
Total current tax (note 8(a))	<u>1,610</u>	<u>1,701</u>

### 9. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company was £3,487,000 (2007 - £4,465,000).

### 10. INTANGIBLE FIXED ASSETS

Group	Goodwill £000	Patents £000	Total £000
<b>COST</b>			
At 1 January 2008	564	52	616
Additions	-	52	52
Exchange adjustments	<u>174</u>	-	<u>174</u>
<b>At 31 December 2008</b>	<u>738</u>	<u>104</u>	<u>842</u>
<b>AMORTISATION</b>			
At 1 January 2008	400	2	402
Charge for the year	122	5	127
Exchange adjustments	<u>123</u>	-	<u>123</u>
<b>At 31 December 2008</b>	<u>645</u>	<u>7</u>	<u>652</u>
<b>NET BOOK VALUE</b>			
<b>At 31 December 2008</b>	<u>93</u>	<u>97</u>	<u>190</u>
At 31 December 2007	<u>164</u>	<u>50</u>	<u>214</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 10. INTANGIBLE FIXED ASSETS *(continued)*

Company	Patents £000
<b>COST</b>	
At 1 January 2008	52
Additions	52
<b>At 31 December 2008</b>	<b>104</b>
<b>AMORTISATION</b>	
At 1 January 2008	2
Charge for the year	5
<b>At 31 December 2008</b>	<b>7</b>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2008</b>	<b>97</b>
At 31 December 2007	50

### 11. TANGIBLE FIXED ASSETS

Group	Freehold Property £000	Plant & Machinery £000	Fixtures & Fittings £000	Motor Vehicles £000	Tooling £000	Total £000
<b>COST</b>						
At 1 Jan 2008	22,350	7,808	3,207	420	3,906	37,691
Additions	2,988	1,415	642	194	746	5,985
Disposals	(161)	(141)	(910)	(130)	–	(1,342)
Exchange adjustments	1,233	137	254	90	12	1,726
<b>At 31 Dec 2008</b>	<b>26,410</b>	<b>9,219</b>	<b>3,193</b>	<b>574</b>	<b>4,664</b>	<b>44,060</b>
<b>DEPRECIATION</b>						
At 1 Jan 2008	2,658	5,123	2,043	274	2,270	12,368
Charge for the year	453	741	329	85	698	2,306
On disposals	(8)	(83)	(368)	(80)	–	(539)
Exchange adjustments	171	71	88	59	9	398
<b>At 31 Dec 2008</b>	<b>3,274</b>	<b>5,852</b>	<b>2,092</b>	<b>338</b>	<b>2,977</b>	<b>14,533</b>
<b>NET BOOK VALUE</b>						
<b>At 31 Dec 2008</b>	<b>23,136</b>	<b>3,367</b>	<b>1,101</b>	<b>236</b>	<b>1,687</b>	<b>29,527</b>
At 31 Dec 2007	19,692	2,685	1,164	146	1,636	25,323

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 11. TANGIBLE FIXED ASSETS *(continued)*

Company	Freehold Property £000	Plant & Machinery £000	Fixtures & Fittings £000	Motor Vehicles £000	Tooling £000	Total £000
<b>COST</b>						
At 1 Jan 2008	18,376	7,361	2,334	52	3,872	31,995
Additions	2,988	1,284	249	9	733	5,263
Disposals	(159)	—	(357)	(13)	—	(529)
<b>At 31 Dec 2008</b>	<b>21,205</b>	<b>8,645</b>	<b>2,226</b>	<b>48</b>	<b>4,605</b>	<b>36,729</b>
<b>DEPRECIATION</b>						
At 1 Jan 2008	2,105	4,886	1,727	41	2,236	10,995
Charge for the year	314	649	191	4	696	1,854
On disposals	(6)	—	(327)	(9)	—	(342)
<b>At 31 Dec 2008</b>	<b>2,413</b>	<b>5,535</b>	<b>1,591</b>	<b>36</b>	<b>2,932</b>	<b>12,507</b>
<b>NET BOOK VALUE</b>						
<b>At 31 Dec 2008</b>	<b>18,792</b>	<b>3,110</b>	<b>635</b>	<b>12</b>	<b>1,673</b>	<b>24,222</b>
At 31 Dec 2007	16,271	2,475	607	11	1,636	21,000

### 12. INVESTMENTS

Company	Group companies £000
<b>COST</b>	
At 1 January 2008 and 31 December 2008	<b>7,545</b>
<b>NET BOOK VALUE</b>	
At 31 December 2008 and 31 December 2007	<b>7,545</b>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 12. INVESTMENTS *(continued)*

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>Subsidiary undertakings</b>				
All held by the company:				
Numatic International SA	France	Ordinary shares	100%	Sales and distribution
Numatic International GmbH	Germany	Ordinary shares	100%	Sales and distribution
Numatic International B.V.	Holland	Ordinary shares	100%	Sales and distribution
Numatic International (Proprietary) Ltd	South Africa	Ordinary shares	100%	Sales and distribution

It must be emphasised that the value of the investments in the subsidiary undertakings is disproportionate to their current asset value by £6,664,000. It is the company's policy to fully capitalise start up costs, working capital requirements and wherever possible the provision of freehold premises. All subsidiaries are held for the long term and are expected, if they are not already, to provide a meaningful return on the capital employed. Accordingly no impairments have been made.

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

All subsidiary undertakings are included in the consolidated accounts.

### 13. STOCKS

	<b>Group</b>		<b>Company</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Raw materials	<b>6,973</b>	5,421	<b>6,973</b>	5,421
Work in progress	<b>858</b>	753	<b>858</b>	753
Finished goods	<b>7,328</b>	6,130	<b>2,004</b>	1,670
Small tools	<b>30</b>	30	<b>30</b>	30
	<b><u>15,189</u></b>	<u>12,334</u>	<b><u>9,865</u></b>	<u>7,874</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 14. DEBTORS

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Trade debtors	14,413	12,929	9,335	8,982
Amounts owed by group undertakings	—	—	10,763	7,170
Other debtors	3,285	810	4	28
Prepayments and accrued income	420	500	352	438
	<u>18,118</u>	<u>14,239</u>	<u>20,454</u>	<u>16,618</u>

### 15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans and overdrafts	4,562	2,629	3,704	1,769
Trade creditors	8,688	5,915	7,747	5,574
Other creditors including taxation:				
Corporation tax	813	1,042	798	1,031
Other taxation	738	1,165	637	755
Other creditors	1,149	208	—	—
Accruals and deferred income	2,382	1,457	2,310	1,388
	<u>18,332</u>	<u>12,416</u>	<u>15,196</u>	<u>10,517</u>

### 16. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Bank loans	<u>4,479</u>	<u>2,717</u>	<u>2,272</u>	<u>1,322</u>

### 17. DEFERRED TAXATION

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2008	2007	2008	2007
	£000	£000	£000	£000
Provision brought forward	231	1,245	231	1,245
Decrease in provision	(27)	(1,014)	(27)	(1,014)
Provision carried forward	<u>204</u>	<u>231</u>	<u>204</u>	<u>231</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 17. DEFERRED TAXATION *(continued)*

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2008		2007	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Excess of taxation allowances over depreciation on fixed assets	<u>204</u>	<u>-</u>	<u>231</u>	<u>-</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2008		2007	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Excess of taxation allowances over depreciation on fixed assets	<u>204</u>	<u>-</u>	<u>231</u>	<u>-</u>

### 18. OTHER PROVISIONS

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Other provisions	<u>2,442</u>	<u>-</u>	<u>-</u>	<u>-</u>

Since the year end irregular activities by former management have been identified in Numatic International SA, a wholly owned subsidiary incorporated in France, and there are currently legal proceedings in progress alleging the misappropriation of the subsidiary's assets, where the company is the claimant. The value of the assets that the company is trying to recover stands at £2,525,000, for which full provision has been made in the current year. This figure consists of several transactions covering both the current and preceding periods. The anticipated final net effect on the preceding period is not considered of such significance as to affect the true and fair view given by the previously reported figures. The amounts included in these financial statements in respect of this subsidiary are a £3,967,000 loss (2007 - £201,000 loss) and £1,773,000 net liabilities (2007 - £1,778,000 net assets).



# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 19. PENSIONS AND OTHER POST RETIREMENT BENEFITS

The group operates a number of pension schemes for its employees.

#### Defined benefit pension scheme (company only)

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

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

The actuarial assessment considers the assets and liabilities at the date of calculation and forecasts assets and liabilities in the future according to a set of assumptions, the most important of which are the rate of return on the assets and the rate of increase in remuneration and pensions.

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

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

The amounts recognised in the profit and loss account are as follows:

	2008 £000	2007 £000
<i>Amounts credited to operating profit:</i>		
Current service cost	(914)	(1,205)
Total operating credit	<u>(914)</u>	<u>(1,205)</u>
<i>Amounts included in other finance cost:</i>		
Expected return on scheme assets	1,891	1,586
Interest on scheme liabilities	(1,721)	(1,568)
Other finance cost	<u>170</u>	<u>18</u>
Total credit to the profit and loss account	<u>(744)</u>	<u>(1,187)</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 19. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

The total operating credit is recognised in the following line items in the profit and loss account:

	2008	2007
	£000	£000
Cost of sales	(744)	(1,187)
Total operating credit	<u>(744)</u>	<u>(1,187)</u>

Other finance cost is included in the profit and loss account within interest payable and similar charges.

Actuarial losses of £(2,694,000) (2007: £2,171,000) have been recognised in the statement of total recognised gains and losses.

The amounts recognised in the balance sheet are as follows:

	2008	2007
	£000	£000
Present value of unfunded obligations	(6,624)	(4,809)
Deferred tax	<u>1,855</u>	<u>1,443</u>
Net pension liability	<u>(4,769)</u>	<u>(3,366)</u>

Changes in the present value of the defined benefit obligation scheme are as follows:

	2008	2007
	£000	£000
Opening defined benefit obligation	29,500	29,825
Current service cost	914	1,205
Interest on scheme liabilities	1,721	1,568
Actuarial gain	(4,428)	(2,548)
Contributions by scheme participants	453	399
Benefits paid	<u>(1,031)</u>	<u>(949)</u>
Closing defined benefit obligation	<u>27,129</u>	<u>29,500</u>

The defined benefit obligation may be analysed between wholly unfunded and wholly or partly funded schemes as follows:

	2008	2007
	£000	£000
Funded	20,505	24,691
Unfunded	<u>6,624</u>	<u>4,809</u>
	<u>27,129</u>	<u>29,500</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 19. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

Changes in the fair value of scheme assets are as follows:

	2008 £000	2007 £000
Opening fair value of scheme assets	24,691	22,475
Expected return on scheme assets	1,891	1,586
Contributions by scheme participants	453	399
Actuarial loss	(7,122)	(377)
Benefits paid	(1,031)	(949)
Other	1,623	1,557
Closing fair value of scheme assets	<u>20,505</u>	<u>24,691</u>

The fair value of the major categories of scheme assets as a percentage of total scheme assets are as follows:

	2008 %	2007 %
European equities	80.00	75.00
European bonds	16.00	20.00
Property	4.00	5.00

The principal actuarial assumptions as at the balance sheet date were:

	2008 %	2007 %
Discount rate	6.50	5.80
Expected return on scheme assets	7.70	7.50
Rate of increase in salaries	4.50	4.90
Rate of increase in pensions in payment	3.00	3.30
Inflation	3.00	3.40

Amounts for the current and previous four periods are as follows:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Defined benefit obligation	(27,129)	(29,500)	(29,825)	(27,386)	(21,689)
Fair value of scheme assets	<u>20,505</u>	<u>24,691</u>	<u>22,475</u>	<u>19,082</u>	<u>14,595</u>
Deficit in the scheme	<u>(6,624)</u>	<u>(4,809)</u>	<u>(7,350)</u>	<u>(8,304)</u>	<u>(7,094)</u>

Market value of assets:

Equities	16,404	18,379	16,915	14,253	12,225
Bonds	3,281	4,901	4,217	3,696	1,509
Property	820	1,225	1,140	879	-
Cash	-	186	203	254	861
Fair value of scheme assets	<u>20,505</u>	<u>24,691</u>	<u>22,475</u>	<u>19,082</u>	<u>14,595</u>

Market value of assets:

	%	%	%	%	%
Equities	8.00	8.10	7.40	7.40	7.70
Bonds	3.90	4.50	4.80	4.50	4.60
Property	8.00	8.10	7.40	7.40	-
Cash	2.00	5.80	4.80	4.50	4.80

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 19. PENSIONS AND OTHER POST RETIREMENT BENEFITS *(continued)*

#### 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 £1,273,000 (2007 - £1,647,000), including contributions payable by overseas subsidiary undertakings.

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

### 20. 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.

### 21. COMMITMENTS UNDER OPERATING LEASES

At 2008 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2008		2007	
	Land and buildings £000	Other items £000	Land and buildings £000	Other items £000
Operating leases which expire:				
Within 1 year	191	213	163	209
Within 2 to 5 years	-	664	353	574
	<u>191</u>	<u>877</u>	<u>516</u>	<u>783</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 22. RELATED PARTY TRANSACTIONS

The company was under the control of Mr C R Duncan throughout the current and previous year. Mr C R Duncan is the director and sole shareholder. No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

### 23. SHARE CAPITAL

#### Authorised share capital:

	2008 £000	2007 £000
5,000,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

#### Allotted, called up and fully paid:

	2008 No	£000	2007 No	£000
Ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000</u>	<u>5,000,000</u>	<u>5,000</u>

### 24. RESERVES

Group	Profit and loss account £000
Balance brought forward	29,951
Loss for the year	(640)
Exchange differences on retranslation of net assets of subsidiary undertakings	1,243
Defined benefit pension scheme	<u>(2,036)</u>
Balance carried forward	<u>28,518</u>
Company	Profit and loss account £000
Balance brought forward	33,320
Profit for the year	3,487
Defined benefit pension scheme	<u>(2,036)</u>
Balance carried forward	<u>34,771</u>

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £000	2007 £000
(Loss)/Profit for the financial year	(640)	4,428
Defined benefit pension scheme	(2,036)	1,520
Exchange differences on retranslation of net assets of subsidiary undertakings	1,243	383
Net (reduction)/addition to shareholders' funds	(1,433)	6,331
Opening shareholders' funds	34,951	28,620
Closing shareholders' funds	33,518	34,951

### 26. NOTES TO THE CASH FLOW STATEMENT

#### RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £000	2007 £000
Operating profit	1,788	5,469
Amortisation	127	95
Depreciation	2,306	2,059
Loss/(Profit) on disposal of fixed assets	136	(11)
(Increase)/decrease in stocks	(2,855)	57
Increase in debtors	(3,879)	(2,468)
Increase in creditors	4,212	385
Increase in provisions	2,442	—
Exchange differences arising on consolidation	1,243	383
Exchange rate adjustments on fixed assets	(1,379)	(399)
FRS17 adjustment reversal	(1,049)	(388)
Net cash inflow from operating activities	3,092	5,182

#### RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008 £000	2007 £000
Interest received	37	46
Interest paid	(466)	(271)
Net cash outflow from returns on investments and servicing of finance	(429)	(225)

#### TAXATION

	2008 £000	2007 £000
Taxation	(1,839)	(831)

**YEAR ENDED 31 DECEMBER 2008**

	2008	2007
	£000	£000
(Decrease)/increase in cash in the period	(2,748)	1,379
Net cash (inflow) from/outflow from bank loans	<u>(1,798)</u>	<u>440</u>
	(4,546)	1,819
Change in net debt	(4,546)	1,819
Net debt at 1 January 2008	<u>(3,775)</u>	<u>(5,594)</u>
Net debt at 31 December 2008	(8,321)	(3,775)

# NUMATIC INTERNATIONAL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2008

### 26. NOTES TO THE CASH FLOW STATEMENT *(continued)*

#### ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2008 £000	Cash flows £000	At 31 Dec 2008 £000
Net cash:			
Cash in hand and at bank	1,571	(851)	720
Overdrafts	<u>(2,560)</u>	<u>(1,897)</u>	<u>(4,457)</u>
	<u>(989)</u>	<u>(2,748)</u>	<u>(3,737)</u>
Debt:			
Debt due within 1 year	(69)	(36)	(105)
Debt due after 1 year	<u>(2,717)</u>	<u>(1,762)</u>	<u>(4,479)</u>
	<u>(2,786)</u>	<u>(1,798)</u>	<u>(4,584)</u>
Net debt	<u>(3,775)</u>	<u>(4,546)</u>	<u>(8,321)</u>