

Registration number: 00773331

Numatic International Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2017

Stewart & Co
Registered Auditors and Chartered Accountants
Knoll House
Knoll Road
Camberley
Surrey
GU15 3SY



Numatic International Limited

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Numatic International Limited

Company Information

Directors	Mr C R Duncan
	Mr S B Whitlock
	Mrs A R Duncan
	Mr S J S Lawson
Company secretary	Mr S B Whitlock
Registered office	Knoll House Knoll Road Camberley Surrey GU15 3SY
Auditors	Stewart & Co Registered Auditors and Chartered Accountants Knoll House Knoll Road Camberley Surrey GU15 3SY

Numatic International Limited

Strategic Report for the Year Ended 31 December 2017

The directors present their strategic report for the year ended 31 December 2017.

Principal activity

The principal activity of the company is design, manufacture and distribution of professional cleaning equipment.

Fair review of the business

The year of 2017 has followed the 2016 year of consolidation which has produced our expected growth of some 9% in Sales and an increase in group comprehensive income of close to 40%. We have maintained control over key metrics, particularly debtor days outstanding, contributing to a further improvement in an already strong cash position.

The year of 2017 has had the substantial benefit from the R&D activity of 2016 and equally the ongoing years of 2018/2019 will have the benefit of the continuous innovative design input which is the life blood of the Numatic organisation.

In 2018 we have the benefit of our revised management structure which introduces a new level of Direction and Control all of which, we anticipate, will bring its just rewards both for 2018 and equally for the years ahead.

Onwards, upwards and better is as good a target for 2018 as it was for 2017.

Principal risks and uncertainties

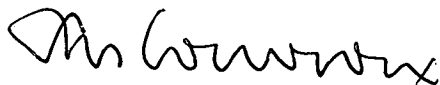
We go into 2018 with all the same trials and tribulations of 2017 with both Brexit and Trump top of the agenda persuading us to adopt a similar conservative policy for the coming year.

Inclusion

Chard remains our main production facility. We support a full range of Equal Opportunity and capability policies with appropriate support, training and intervention to assist all prospective and existing employees through their careers with Numatic.

We also support and encourage employee involvement particularly within our Works Council and Health and Safety committee structures both to consult and share information for the mutual benefit of employees and the Company as a whole.

Approved by the Board on 29 August 2018 and signed on its behalf by:



Mr S B Whitlock
Company secretary and director

Numatic International Limited

Directors' Report for the Year Ended 31 December 2017

The directors present their report and the for the year ended 31 December 2017.

Directors of the group

The directors who held office during the year were as follows:

Mr C R Duncan

Mr S B Whitlock - Company secretary and director (appointed 3 July 2017)

Mrs A R Duncan (appointed 3 July 2017)

Mr S J S Lawson (appointed 3 July 2017)

Dividends

The directors do not recommend the payment of a dividend for the year ended 31 December 2017.

Financial instruments

Price risk, credit risk, liquidity risk and cash flow risk

The group does not use any financial instruments to hedge its risks associated with price, credit, liquidity or cash flow. The group reviews its' exposure to foreign exchange risk on an ongoing basis.

Employment of disabled persons

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.

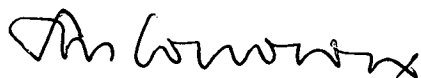
Disclosure of information in the strategic report

The group in accordance with section 414C(11) of the Companies Act 2006(Strategic Report and Directors' Report) Regulations 2013 has set out in the group's strategic report information required by schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 29 August 2018 and signed on its behalf by:



Mr S B Whitlock
Company secretary and director

Numatic International Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Numatic International Limited

Independent Auditor's Report to the Members of Numatic International Limited

Opinion

We have audited the financial statements of Numatic International Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Numatic International Limited

Independent Auditor's Report to the Members of Numatic International Limited (continued)

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 4], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Numatic International Limited

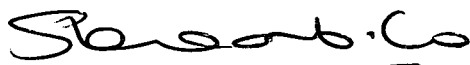
Independent Auditor's Report to the Members of Numatic International Limited (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



.....
David Hartley (Senior Statutory Auditor)
For and on behalf of Stewart & Co, Statutory Auditor

Knoll House
Knoll Road
Camberley
Surrey
GU15 3SY

3 September 2018

Numatic International Limited

Consolidated Income Statement for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Turnover	3	149,261	137,401
Cost of sales		<u>(93,828)</u>	<u>(83,682)</u>
Gross profit		55,433	53,719
Distribution costs		(3,305)	(2,967)
Administrative expenses		(42,622)	(36,638)
Other operating income	4	<u>1,178</u>	<u>30</u>
Operating profit	5	<u>10,684</u>	<u>14,144</u>
Other interest receivable and similar income	6	130	107
Interest payable and similar expenses	7	<u>(461)</u>	<u>(356)</u>
		<u>(331)</u>	<u>(249)</u>
Profit before tax		10,353	13,895
Taxation	11	<u>(1,904)</u>	<u>(2,697)</u>
Profit for the financial year		<u>8,449</u>	<u>11,198</u>
Profit/(loss) attributable to:			
Owners of the company		<u>8,449</u>	<u>11,198</u>

The above results were derived from continuing operations.

Numatic International Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2017

	2017 £ 000	2016 £ 000
Profit for the year	8,449	11,198
Foreign currency translation gains/(losses)	366	1,548
Remeasurement gain/loss on defined benefit pension schemes	1,771	(5,505)
	2,137	(3,957)
Total comprehensive income for the year	10,586	7,241
Total comprehensive income attributable to:		
Owners of the company	10,586	7,241

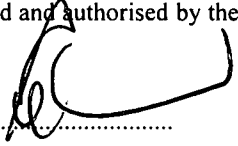
Numatic International Limited

(Registration number: 00773331)

Consolidated Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	12	946	796
Tangible assets	13	<u>35,710</u>	<u>37,142</u>
		<u>36,656</u>	<u>37,938</u>
Current assets			
Stocks	15	23,901	21,514
Debtors	16	21,759	21,480
Cash at bank and in hand		<u>32,452</u>	<u>30,619</u>
		78,112	73,613
Creditors: Amounts falling due within one year	18	<u>(23,414)</u>	<u>(20,611)</u>
Net current assets		<u>54,698</u>	<u>53,002</u>
Total assets less current liabilities		91,354	90,940
Creditors: Amounts falling due after more than one year	18	(1,117)	(4,498)
Provisions for liabilities	19	<u>(228)</u>	<u>(2,187)</u>
Net assets excluding pension asset/(liability)		90,009	84,255
Net pension liability	20	<u>(4,709)</u>	<u>(9,554)</u>
Net assets		<u>85,300</u>	<u>74,701</u>
Capital and reserves			
Called up share capital	21	5,013	5,000
Profit and loss account	22	<u>80,287</u>	<u>69,701</u>
Equity attributable to owners of the company		<u>85,300</u>	<u>74,701</u>
Total equity		<u>85,300</u>	<u>74,701</u>

Approved and authorised by the Board on 29 August 2018 and signed on its behalf by:

.....

Mr C R Duncan
Director

Numatic International Limited


(Registration number: 00773331)

Statement of Financial Position as at 31 December 2017

	Note	2017 £ 000	2016 £ 000
Fixed assets			
Intangible assets	12	57	64
Tangible assets	13	30,493	32,134
Investments	14	6,312	5,553
		<u>36,862</u>	<u>37,751</u>
Current assets			
Stocks	15	16,096	13,968
Debtors	16	20,380	19,500
Cash at bank and in hand		29,569	28,111
		<u>66,045</u>	<u>61,579</u>
Creditors: Amounts falling due within one year	18	<u>(19,250)</u>	<u>(16,353)</u>
Net current assets		<u>46,795</u>	<u>45,226</u>
Total assets less current liabilities		83,657	82,977
Creditors: Amounts falling due after more than one year	18	-	(3,244)
Provisions for liabilities	19	<u>-</u>	<u>(113)</u>
Net assets excluding pension asset/(liability)		83,657	79,620
Net pension liability	20	<u>(4,709)</u>	<u>(9,554)</u>
Net assets		<u>78,948</u>	<u>70,066</u>
Capital and reserves			
Called up share capital		5,013	5,000
Profit and loss account		<u>73,935</u>	<u>65,066</u>
Total equity		<u>78,948</u>	<u>70,066</u>

The company made a profit after tax for the financial year of £7,098,000 (2016 - profit of £11,047,000).

Approved and authorised by the Board on 29 August 2018 and signed on its behalf by:



 Mr C R Duncan
 Director

The notes on pages 15 to 43 form an integral part of these financial statements.

Numatic International Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2017
Equity attributable to the parent company

	Share capital £ 000	Profit and loss account £ 000	Total £ 000	Total equity £ 000
At 1 January 2017	5,000	69,701	74,701	74,701
Profit for the year	-	8,449	8,449	8,449
Other comprehensive income	-	2,137	2,137	2,137
Total comprehensive income	-	10,586	10,586	10,586
New share capital subscribed	13	-	13	13
At 31 December 2017	<u>5,013</u>	<u>80,287</u>	<u>85,300</u>	<u>85,300</u>
	Share capital £ 000	Profit and loss account £ 000	Total £ 000	Total equity £ 000
At 1 January 2016	5,000	62,460	67,460	67,460
Profit for the year	-	11,198	11,198	11,198
Other comprehensive income	-	(3,957)	(3,957)	(3,957)
Total comprehensive income	-	7,241	7,241	7,241
At 31 December 2016	<u>5,000</u>	<u>69,701</u>	<u>74,701</u>	<u>74,701</u>

The notes on pages 15 to 43 form an integral part of these financial statements.
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Numatic International Limited

Statement of Changes in Equity for the Year Ended 31 December 2017

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2017	5,000	65,066	70,066
Profit for the year	-	7,098	7,098
Other comprehensive income	-	1,771	1,771
Total comprehensive income	-	8,869	8,869
New share capital subscribed	13	-	13
At 31 December 2017	5,013	73,935	78,948
	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2016	5,000	59,524	64,524
Profit for the year	-	11,047	11,047
Other comprehensive income	-	(5,505)	(5,505)
Total comprehensive income	-	5,542	5,542
At 31 December 2016	5,000	65,066	70,066

The notes on pages 15 to 43 form an integral part of these financial statements.

Numatic International Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2017

	Note	2017 £ 000	2016 £ 000
Cash flows from operating activities			
Profit for the year		8,449	11,198
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	5	4,104	3,832
Finance income	6	(130)	(107)
Finance costs	7	461	355
Income tax expense	11	1,904	2,697
Foreign exchange (gains) / losses		(23)	117
FRS 102 Pension cost adjustment		(3,999)	(1,899)
Exchange differences arising on consolidation		372	1,537
Exchange rate adjustments on fixed assets		(176)	(802)
Exchange rate adjustments on intangible assets		(26)	6
		<u>10,936</u>	<u>16,934</u>
Working capital adjustments			
Increase in stocks	15	(2,387)	(1,989)
(Increase)/decrease in trade debtors	16	(273)	7,944
Decrease in trade creditors	18	(910)	(7,609)
(Decrease)/increase in provisions	19	<u>(1,951)</u>	<u>273</u>
Cash generated from operations		5,415	15,553
Income taxes paid	11	<u>(1,791)</u>	<u>(2,461)</u>
Net cash flow from operating activities		<u>3,624</u>	<u>13,092</u>
Cash flows from investing activities			
Interest received		130	107
Acquisitions of tangible assets		(2,327)	(4,592)
Proceeds from sale of tangible assets		54	(9)
Acquisition of intangible assets	12	<u>(346)</u>	<u>(299)</u>
Net cash flows from investing activities		<u>(2,489)</u>	<u>(4,793)</u>
Cash flows from financing activities			
Interest paid	7	(133)	(150)
Proceeds from bank borrowing draw downs		347	-
Interest on preference shares		(124)	-
Proceeds from issue of preference shares		<u>13</u>	<u>-</u>
Net cash flows from financing activities		<u>103</u>	<u>(150)</u>
Net increase in cash and cash equivalents		1,238	8,149
Cash and cash equivalents at 1 January		<u>29,875</u>	<u>21,726</u>
Cash and cash equivalents at 31 December		<u>31,113</u>	<u>29,875</u>

The notes on pages 15 to 43 form an integral part of these financial statements.
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Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Knoll House
Knoll Road
Camberley
Surrey
GU15 3SY
United Kingdom

The principal place of business is:

Millfield Road
Chard
Somerset
TA20 2GB
United Kingdom

These financial statements were authorised for issue by the Board on 29 August 2018.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The financial statements are prepared in sterling, which is the functional currency of the entity, and have been rounded to the nearest £'000.

Summary of disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102 in its individual financial statements:

- (a) No cash flow statement has been presented for the company, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows;
- (b) Disclosures in respect of financial instruments have not been presented as the information is provided in the consolidated financial statement disclosures;
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2017.

No Income Statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a profit after tax for the financial year of £7,098,000 (2016: £11,047,000).

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group. Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

Lease commitments: The Group obtains use of property, plant and equipment as lessee through operating leases. The Group also acts as lessor under finance leases on property, plant and equipment. The classification of such leases as operating or finance lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Key sources of estimation uncertainty

Pension benefits: The cost of defined benefit pension plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates and retail price inflation. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of high quality corporate bonds. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Provisions: Provisions are made for asset retirement obligations, dilapidations, stock, bad debts and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements, historical experience and trends.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the group operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class

Plant & machinery

Fixtures and fittings

Motor vehicles

Tooling

Freehold property

Depreciation method and rate

On a straight line monthly basis over the first 5 to 10 years to 10% of cost, thereafter its value in use is reassessed annually

On a straight line monthly basis over the first 3 to 10 years to 10% of cost, thereafter its value in use is reassessed annually

20%-33% per annum straight line

On a straight line monthly basis over 4 to 10 years

2% per annum straight line

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Goodwill	5 or 15 years straight line
Patents, trademarks and licences	Between 10 and 20 years straight line

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when it is technically feasible to complete the intangible asset so that it will be available for use or sale; There is the intention to complete the intangible asset and use or sell it; There is the ability to use or sell the intangible asset; The use or sale of the intangible asset will generate probable future economic benefits; There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and the expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables.

Inventories

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the group does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Where the group transfers substantially all the risks and rewards of ownership, the arrangement is classified as a finance lease and a receivable is recognised at an amount equal to the net investment in the lease. Recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the group has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Defined benefit pension obligation

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

The liability recognised in the statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date.

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 arising from experience adjustments and changes in actuarial assumptions are recognised immediately in other comprehensive income.

Pension scheme assets are valued at fair value at the reporting date, using appropriate valuation techniques. 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.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

2 Accounting policies (continued)

Financial instruments

Recognition and measurement

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Impairment

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

When it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

3 Revenue

The turnover for the year was derived from the group's principal activity, the sale of goods. 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 for the Year Ended 31 December 2017 (continued)

4 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2017 £ 000	2016 £ 000
Government grants	10	-
Miscellaneous other operating income	1,168	30
	<u>1,178</u>	<u>30</u>

Included in miscellaneous other operating income is £1,092,000 in relation to compensation awarded following conclusion of legal proceedings at an overseas subsidiary.

5 Operating profit

Arrived at after charging/(crediting)

	2017 £ 000	2016 £ 000
Depreciation expense	3,884	3,673
Amortisation expense	220	158
Research and development cost	959	973
Foreign exchange (gains)/losses	(23)	117
Operating lease expense - property	402	337
Operating lease expense - plant and machinery	<u>962</u>	<u>952</u>

6 Other interest receivable and similar income

	2017 £ 000	2016 £ 000
Interest income on bank deposits	<u>130</u>	<u>107</u>

7 Interest payable and similar expenses

	2017 £ 000	2016 £ 000
Interest on preference shares	124	-
Interest expense on other finance liabilities	133	151
Other finance costs	<u>204</u>	<u>205</u>
	<u>461</u>	<u>356</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2017 £ 000	2016 £ 000
Wages and salaries	37,048	33,382
Social security costs	2,642	2,218
Pension costs, defined contribution scheme	3,099	2,717
	<u>42,789</u>	<u>38,317</u>

Other pension costs are amounts charged to operating profit and do not include amounts credited to finance income and charged to finance costs (see note 7), and amounts recognised in the statement of other comprehensive income.

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2017 No.	2016 No.
Production	738	715
Administration and support	270	276
	<u>1,008</u>	<u>991</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2017 £ 000	2016 £ 000
Remuneration	<u>2,155</u>	<u>846</u>

In respect of the highest paid director:

	2017 £ 000	2016 £ 000
Remuneration	<u>1,376</u>	<u>846</u>

10 Auditors' remuneration

	2017 £ 000	2016 £ 000
Audit of these financial statements	75	73
Audit of the financial statements of subsidiaries of the company pursuant to legislation	91	75
	<u>166</u>	<u>148</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation

Tax charged/(credited) in the income statement

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	509	1,700
Foreign tax	694	448
Total current income tax	1,203	2,148
Deferred taxation		
Arising from origination and reversal of timing differences	701	549
Tax expense in the income statement	1,904	2,697

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2016 - lower than the standard rate of corporation tax in the UK) of 19.25% (2016 - 20%).

The differences are reconciled below:

	2017 £ 000	2016 £ 000
Profit before tax	10,353	13,895
Corporation tax at standard rate	1,993	2,779
Increase from effect of different UK tax rates on some earnings	12	-
Effect of expense not deductible in determining taxable profit (tax loss)	(686)	(306)
Effect of foreign tax rates	(413)	(174)
Foreign deferred tax expense relating to changes in tax rates or laws	100	270
Decrease from effect of tax incentives	(470)	(296)
Increase in UK and foreign current tax from adjustment for prior periods	-	131
Tax increase from effect of capital allowances and depreciation	106	85
Tax increase arising from overseas tax suffered/expensed	694	448
Tax increase from effect of adjustment in research and development tax credit	456	428
Other tax effects for reconciliation between accounting profit and tax expense (income)	112	(668)
Total tax charge	1,904	2,697

A reduction in the UK corporation tax rate from 19% to 17% was substantively enacted as part of Finance Bill 2016 (on 7 September 2016) and takes effect from 1 April 2020. Deferred taxes at the statement of financial position date have been measured using these enacted tax rates and reflected in these financial statements.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2017

Capital allowances and depreciation
Other timing differences

Asset £ 000	Liability £ 000
6	-
-	201
<u>6</u>	<u>201</u>

2016

Capital allowances and depreciation
Other timing differences

Liability £ 000
113
96
<u>209</u>

Company

Deferred tax assets and liabilities

2017

Capital allowances and depreciation

Asset £ 000
<u>6</u>

2016

Capital allowances and depreciation

Liability £ 000
<u>113</u>

Tax relating to items recognised in other comprehensive income or equity - group

Deferred tax related to items recognised as items of other comprehensive income

2017 £ 000	2016 £ 000
<u>(563)</u>	<u>1,376</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

11 Taxation (continued)

Tax relating to items recognised in other comprehensive income or equity - company

	2017	2016
	£ 000	£ 000
Deferred tax related to items recognised as items of other comprehensive income	<u>(563)</u>	<u>1,376</u>

12 Intangible assets

Group

	Trademarks, patents and licenses £ 000	Software £ 000	Total £ 000
Cost or valuation			
At 1 January 2017	170	1,296	1,466
Additions acquired separately	-	346	346
Disposals	-	(25)	(25)
Foreign exchange movements	<u>-</u>	<u>52</u>	<u>52</u>
At 31 December 2017	<u>170</u>	<u>1,669</u>	<u>1,839</u>
Amortisation			
At 1 January 2017	106	564	670
Amortisation charge	7	213	220
Amortisation eliminated on disposals	-	(23)	(23)
Foreign exchange movements	<u>-</u>	<u>26</u>	<u>26</u>
At 31 December 2017	<u>113</u>	<u>780</u>	<u>893</u>
Carrying amount			
At 31 December 2017	<u>57</u>	<u>889</u>	<u>946</u>
At 31 December 2016	<u>64</u>	<u>732</u>	<u>796</u>

The aggregate amount of research and development expenditure recognised as an expense during the period is £959,000 (2016 - £973,000).

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

12 Intangible assets (continued)

Company

	Trademarks, patents and licenses £ 000	Total £ 000
Cost or valuation		
At 1 January 2017	136	136
At 31 December 2017	136	136
Amortisation		
At 1 January 2017	72	72
Amortisation charge	7	7
At 31 December 2017	79	79
Carrying amount		
At 31 December 2017	57	57
At 31 December 2016	64	64

The aggregate amount of research and development expenditure recognised as an expense during the period is £959,000 (2016 - £973,000).

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Tangible assets

Group

	Land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Tooling £ 000	Total £ 000
Cost or valuation						
At 1 January 2017	34,424	5,069	15,825	1,083	11,900	68,301
Additions	324	762	496	127	618	2,327
Disposals	(6)	(162)	(157)	(83)	(55)	(463)
Transfers	56	-	5	-	(61)	-
Foreign exchange movements	217	40	67	16	5	345
At 31 December 2017	<u>35,015</u>	<u>5,709</u>	<u>16,236</u>	<u>1,143</u>	<u>12,407</u>	<u>70,510</u>
Depreciation						
At 1 January 2017	7,811	3,463	11,007	669	8,209	31,159
Charge for the year	776	662	1,177	158	1,111	3,884
Eliminated on disposal	-	(154)	(133)	(81)	(43)	(411)
Transfers	47	-	(8)	-	(39)	-
Foreign exchange movements	71	29	51	14	3	168
At 31 December 2017	<u>8,705</u>	<u>4,000</u>	<u>12,094</u>	<u>760</u>	<u>9,241</u>	<u>34,800</u>
Carrying amount						
At 31 December 2017	<u>26,310</u>	<u>1,709</u>	<u>4,142</u>	<u>383</u>	<u>3,166</u>	<u>35,710</u>
At 31 December 2016	<u>26,613</u>	<u>1,606</u>	<u>4,818</u>	<u>414</u>	<u>3,691</u>	<u>37,142</u>

Included within the net book value of land and buildings above is £26,310,000 (2016 - £)26,613,000 in respect of freehold land and buildings.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

13 Tangible assets (continued)

Company

	Land and buildings £ 000	Fixtures and fittings £ 000	Plant and machinery £ 000	Motor vehicles £ 000	Tooling £ 000	Total £ 000
Cost or valuation						
At 1 January 2017	28,979	3,695	14,145	53	11,788	58,660
Additions	228	624	242	-	612	1,706
Disposals	(6)	(130)	(75)	(23)	(52)	(286)
Transfers	56	-	5	-	(61)	-
At 31 December 2017	<u>29,257</u>	<u>4,189</u>	<u>14,317</u>	<u>30</u>	<u>12,287</u>	<u>60,080</u>
Depreciation						
At 1 January 2017	6,066	2,471	9,806	48	8,135	26,526
Charge for the year	683	516	1,013	1	1,102	3,315
Eliminated on disposal	-	(122)	(68)	(23)	(41)	(254)
Transfers	15	-	24	-	(39)	-
At 31 December 2017	<u>6,764</u>	<u>2,865</u>	<u>10,775</u>	<u>26</u>	<u>9,157</u>	<u>29,587</u>
Carrying amount						
At 31 December 2017	<u>22,493</u>	<u>1,324</u>	<u>3,542</u>	<u>4</u>	<u>3,130</u>	<u>30,493</u>
At 31 December 2016	<u>22,913</u>	<u>1,224</u>	<u>4,339</u>	<u>5</u>	<u>3,653</u>	<u>32,134</u>

Included within the net book value of land and buildings above is £22,493,000 (2016 - £22,913,000) in respect of freehold land and buildings.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

14 Investments

Company

	2017	2016
	£ 000	£ 000
Investments in subsidiaries	<u>6,312</u>	<u>5,553</u>

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

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2017	10,244
Provision	
At 1 January 2017	4,691
Provision	<u>(759)</u>
At 31 December 2017	<u>3,932</u>
Carrying amount	
At 31 December 2017	<u>6,312</u>
At 31 December 2016	<u>5,553</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

14 Investments (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking			Registered office	Holding	Proportion of voting rights and shares held	
					2017	2016
Subsidiary undertakings						
Numatic SAS	International	13 Rue de Valengelier 77500 Chelles France	Ordinary	100%	100%	
Numatic GmbH	International	District Court Hannover HRB 62313 Germany	Ordinary	100%	100%	
Numatic B.V.	International	Vennootsweg 15, 2404 CG Alphen aan den Rijn Holland	Ordinary	100%	100%	
Numatic (Proprietary) Ltd	International	Corner Sixteen and Pharmaceutical Road Midrand, Johannesburg, 1685 South Africa	Ordinary	100%	100%	
Numatic Schweiz AG	International	Sihlbruggstrasse 142 6340 Baar Switzerland	Ordinary	100%	100%	
Numatic ULDA	International	Rua da Boa Viagem, 177 4470 – 210 Maia Portugal	Ordinary	100%	100%	

15 Stocks

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Raw materials and consumables	11,214	10,200	11,214	10,200
Work in progress	1,024	899	1,024	899
Finished goods and goods for resale	11,633	10,385	3,828	2,839
Other inventories	30	30	30	30
	<u>23,901</u>	<u>21,514</u>	<u>16,096</u>	<u>13,968</u>

Group

Inventories are stated after provisions for impairment of £2,080,000 (2016: £1,499,000).

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

15 Stocks (continued)

Company

Inventories are stated after provisions for impairment of £2,080,000 (2016: £1,499,000).

16 Debtors

		Group		Company	
	Note	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Trade debtors		18,971	17,014	11,765	10,577
Amounts owed by related parties	26	-	-	7,878	8,286
Other debtors		1,387	3,040	-	-
Prepayments		1,107	933	731	637
Finance lease receivables	24	288	493	-	-
Deferred tax assets	11	6	-	6	-
		<u>21,759</u>	<u>21,480</u>	<u>20,380</u>	<u>19,500</u>
Less non-current portion		<u>(100)</u>	<u>(269)</u>	<u>-</u>	<u>-</u>
		<u>21,659</u>	<u>21,211</u>	<u>20,380</u>	<u>19,500</u>

Trade debtors are stated after provisions for impairment of £238,000 (2016: £219,000).

Details of non-current trade and other debtors

Group

£100,000 (2016 - £269,000) of Finance lease receivables is classified as non current.

17 Cash and cash equivalents

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Cash at bank	32,452	30,619	29,569	28,111
Bank overdrafts	<u>(1,339)</u>	<u>(744)</u>	<u>(1,047)</u>	<u>(107)</u>
Cash and cash equivalents in statement of cash flows	<u>31,113</u>	<u>29,875</u>	<u>28,522</u>	<u>28,004</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

18 Creditors

		Group		Company	
	Note	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Due within one year					
Loans and borrowings	23	5,067	744	4,775	107
Trade creditors		7,375	8,786	5,937	7,363
Social security and other taxes		2,743	2,147	1,611	1,510
Other payables		394	907	-	(3)
Accruals		7,776	7,358	6,868	6,707
Corporation tax liability	11	59	669	59	669
		<u>23,414</u>	<u>20,611</u>	<u>19,250</u>	<u>16,353</u>
Due after one year					
Loans and borrowings	23	1,117	4,498	-	3,244

19 Deferred tax and other provisions

Group

	Deferred tax £ 000	Other provisions £ 000	Total £ 000
At 1 January 2017	209	1,978	2,187
Increase (decrease) in existing provisions	(12)	(1,951)	(1,963)
Increase (decrease) from transfers and other changes	4	-	4
At 31 December 2017	<u>201</u>	<u>27</u>	<u>228</u>

Other provisions at a group level relate to misappropriation of assets at an overseas subsidiary. Legal proceedings have resulted in a judgement during the year and as such the provision has been reduced accordingly. The uncertainty of securing financial redress has resulted in a write off of the amounts involved.

20 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The total pension cost charge for the year represents contributions payable by the group to the funds and amounted to £3,099,000 (2016 - £2,717,000), including contributions payable by overseas subsidiary undertakings. The overseas subsidiary undertakings make contributions into employees' personal pension schemes.

Defined benefit pension schemes

Company only scheme

The company and employees contribute at the overall rate of 28% of gross salaries (of which contributions from members who have opted not to participate in the sacrifice arrangements represent just 0.1% of total gross salaries).

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

20 Pension and other schemes (continued)

The date of the most recent comprehensive actuarial valuation was 01 April 2015. The actuary reviews the assets and liabilities of the scheme on a triennial basis for funding purposes. Interim valuations will continue to be performed at the end of each accounting year for the purposes of FRS 102 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 2015, the actuarial valuation of the assets was £49,310,000 and of the liabilities £56,065,000, representing a shortfall of £6,755,000 and a funding level of 88%. This underfunding has been reduced by making a single deficit-reducing contribution of £4,270,000 in January 2017.

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 total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £2,184,000 (2016 - £1,771,000).

The total cost relating to defined benefit schemes for the year included in the cost of an asset was £Nil (2016 - £Nil).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2017 £ 000	2016 £ 000
Fair value of scheme assets	70,843	60,638
Present value of defined benefit obligation	<u>(76,656)</u>	<u>(72,580)</u>
	(5,813)	(11,942)
Other amounts recognised in the statement of financial position	<u>1,104</u>	<u>2,388</u>
Defined benefit pension scheme deficit	<u><u>(4,709)</u></u>	<u><u>(9,554)</u></u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

20 Pension and other schemes (continued)

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2017 £ 000
Present value at start of year	72,580
Current service cost	1,732
Interest cost	2,012
Actuarial gains and losses	1,808
Benefits paid	(1,483)
Contributions by scheme participants	7
	<u>76,656</u>
Present value at end of year	<u>76,656</u>

Fair value of scheme assets

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

	2017 £ 000
Fair value at start of year	60,638
Interest income	1,808
Return on plan assets, excluding amounts included in interest income/(expense)	4,142
Employer contributions	5,979
Contributions by scheme participants	7
Benefits paid	(1,483)
Scheme expenses	(248)
	<u>70,843</u>
Fair value at end of year	<u>70,843</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2017 %	2016 %
Cash and cash equivalents	-	2
Equity instruments	74	79
Debt instruments	-	19
Investment funds	26	-
	<u>100</u>	<u>100</u>

Return on scheme assets

	2017 £ 000	2016 £ 000
Return on scheme assets	<u>5,950</u>	<u>9,473</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

20 Pension and other schemes (continued)

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2017 %	2016 %
Discount rate	2.60	2.80
Future salary increases	2.90	3.00
Future pension increases	3.30	3.40
Inflation	3.40	3.50

Post retirement mortality assumptions

	2017 Years	2016 Years
Current UK pensioners at retirement age - male	86.00	86.00
Current UK pensioners at retirement age - female	88.00	88.00
Future UK pensioners at retirement age - male	87.00	87.00
Future UK pensioners at retirement age - female	89.00	90.00

21 Share capital

Allotted, called up and fully paid shares

	2017		2016	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 (2016 - £0) each	5,000	50.00	-	-
Preference shares of £0.99 (2016 - £0) each	5,000	4,950.00	-	-
Ordinary A shares of £0.01 (2016 - £0) each	556	5.56	-	-
Ordinary B shares of £0.01 (2016 - £0) each	694	6.94	-	-
Ordinary shares of £0 (2016 - £1) each	-	-	5,000	5,000
	<u>11,250</u>	<u>5,013</u>	<u>5,000</u>	<u>5,000</u>

During the year the existing 5,000,000 ordinary £1 shares were each converted into 1 ordinary £0.01 share and 1 £0.99 preference share.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

21 Share capital (continued)

New shares allotted

During the year 555,556 Ordinary A shares having an aggregate nominal value of £5,556 were allotted for an aggregate consideration of £5,556.

During the year 694,444 Ordinary B shares having an aggregate nominal value of £5,556 were allotted for an aggregate consideration of £5,556.

Rights, preferences and restrictions

Ordinary shares have the following rights, preferences and restrictions:

There are no restrictions on the distribution of dividends and repayment of capital with regards to the ordinary shares.

Ordinary A shares have the following rights, preferences and restrictions:

There are restrictions on the distribution of dividends and repayment of capital with regards to achievement of Hurdles as defined in the Company's articles of association.

Ordinary B shares have the following rights, preferences and restrictions:

There are restrictions on the distribution of dividends and repayment of capital with regards to achievement of the Hurdles as defined in the Company's articles of association.

Preference shares have the following rights, preferences and restrictions:

The shares are entitled to participate in the profits available for distribution in each financial year, with payment of the preference dividend each year equal to 5% of the nominal value of each preference share. The shares are also entitled to participate in a return of capital on liquidation.

22 Reserves

Group

Profit and loss account

This reserve records retained earnings and accumulated losses

The changes to each component of equity resulting from items of other comprehensive income for the current year were as follows:

	Retained earnings £ 000	Total £ 000
Foreign currency translation gains/(losses)	366	366
Remeasurement gain/loss on defined benefit pension schemes	1,771	1,771
	<u>2,137</u>	<u>2,137</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Retained earnings £ 000	Total £ 000
Foreign currency translation gains/(losses)	1,548	1,548
Remeasurement gain/loss on defined benefit pension schemes	(5,505)	(5,505)
	<u>(3,957)</u>	<u>(3,957)</u>

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

23 Loans and borrowings

	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Non-current loans and borrowings				
Bank borrowings	<u>1,117</u>	<u>4,498</u>	<u>-</u>	<u>3,244</u>
	Group		Company	
	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
Current loans and borrowings				
Bank borrowings	3,728	-	3,728	-
Bank overdrafts	<u>1,339</u>	<u>744</u>	<u>1,047</u>	<u>107</u>
	<u>5,067</u>	<u>744</u>	<u>4,775</u>	<u>107</u>

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

Group

Included in the loans and borrowings are the following amounts due after more than five years:

	2017 £ 000	2016 £ 000
After more than five years by instalments	673	754

Borrowings due after five years

The amounts falling due for payment after more than five years are mortgages with repayment terms between 20 and 25 years and interest rates between 2.56% and 5.25%.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	1,012	1,089
Later than one year and not later than five years	1,910	1,235
Later than five years	1,543	12
	<u>4,465</u>	<u>2,336</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £1,364,000 (2016 - £1,289,000).

Finance leases - lessor

The group entered into finance leasing arrangements for use of its equipment, with lease terms between 2 and 3 years.

The amount of the net investment in a finance lease is determined as shown in the following table:

	2017 £ 000	2016 £ 000
Minimum lease payments	328	540
Unguaranteed residual value	-	-
Gross investment	328	540
Unearned finance income	(40)	(47)
Net investment (present value of minimum lease payments)	<u>288</u>	<u>493</u>

The gross investment amount and the present value of payable minimum lease payments are shown in the following table:

	2017 £ 000	2016 £ 000	2017 £ 000	2016 £ 000
	Gross investment in lease	Present value of minimum lease payments	Gross investment in lease	Present value of minimum lease payments
Maturity				
Not later than one year	222	188	250	224
Later than one year and not later than five years	106	100	290	269
	<u>328</u>	<u>288</u>	<u>540</u>	<u>493</u>

Contingent rents recognised as income in the period are £Nil (2016 - £Nil).

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

24 Obligations under leases and hire purchase contracts (continued)

Company

Operating leases

The total of future minimum lease payments is as follows:

	2017 £ 000	2016 £ 000
Not later than one year	409	430
Later than one year and not later than five years	605	679
	<u>1,014</u>	<u>1,109</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £557,000 (2016 - £575,000).

25 Commitments

Group

Capital commitments

Capital commitments not provided for in the financial statements include contracts for future capital expenditure of land and buildings.

The total amount contracted for but not provided in the financial statements was £Nil (2016 - £805,000).

26 Related party transactions

The company is under the control of the directors who are also the shareholders. Majority control is with Mr C R Duncan by virtue of his shareholding in the company.

Other than the transactions disclosed for key management personnel, the Company's other related party transactions were with wholly owned subsidiaries, and as such are exempt from disclosure.

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. All directors are considered to be key management personnel of the company. Total remuneration in respect of these individuals is disclosed in note 9.

27 Financial instruments

Group

Categorisation of financial instruments

	2017 £ 000	2016 £ 000
Financial assets that are debt instruments measured at amortised cost	20,234	17,653
	<u>20,234</u>	<u>17,653</u>
Financial liabilities measured at amortised cost	12,596	14,194
	<u>12,596</u>	<u>14,194</u>

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. No transactions have been deferred beyond normal credit terms or financed at non-market rates of interest.

Numatic International Limited

Notes to the Financial Statements for the Year Ended 31 December 2017 (continued)

27 Financial instruments (continued)

Items of income, expense, gains or losses

The total interest income for financial assets not measured at fair value through profit or loss is £Nil (2016 - £Nil). The total interest expense for financial liabilities not measured at fair value through profit or loss is £Nil (2016 - £Nil).

28 Non adjusting events after the financial period

Since 31 December 2017, the company have set up a new wholly owned subsidiary in Spain, Numatic International Spain, S.L. The 100% share capital purchased on incorporation equated to £88,000.