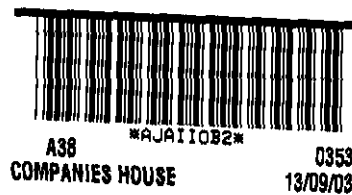


Registered number: 773331

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2002



STEWART & CO.
CHARTERED ACCOUNTANTS
Camberley

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31st December 2002

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The following pages do not form part of the statutory accounts

Company only - Detailed Trading and Profit and Loss Account	Appendix 1
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NUMATIC INTERNATIONAL LIMITED

COMPANY INFORMATION

31st December 2002

INCORPORATED	In England on 9th September 1963
NUMBER	773331
CHAIRMAN	Mr C R Duncan
SECRETARY	Mr A W House
REGISTERED OFFICE	Knoll House Knoll Road Camberley Surrey GU15 3SY
BANKERS	Barclays Bank Plc King George Street Yeovil Somerset BA20 1PX
AUDITORS	Stewart & Co. Chartered Accountants Knoll House Knoll Road Camberley GU15 3SY

NUMATIC INTERNATIONAL LIMITED**DIRECTOR'S REPORT****31st December 2002**

The sole director presents his report and the audited financial statements of the group and company for the year ended 31st December 2002.

Principal activity

The principal activity of the group is that of manufacturers and distributors of cleaning equipment and there has been no change in this activity during the year. One of the subsidiary undertakings is involved in the design and manufacture of furniture.

Results and dividends

The results for the year are shown in the profit and loss account on page 6. The group's balance sheet as detailed on page 8 shows a satisfactory position, shareholders' funds amounting to £25,413,000. No dividends have been paid or proposed in the year.

Business review

The year of 2002 provided an improvement in results which was aided by the situation on the currency markets with a weaker US\$ and a stronger Euro.

The FRS17 situation shows a substantial deterioration due to the lack of recovery in the equity market but whilst waiting for confidence to recover Numatic has developed its own, employee supported, increased funding strategy to provide its own underlying growth and recovery plan.

Our investment in subsidiary undertakings is still substantial with good returns being generated within the UK manufacturing base as a result of their sales performance but not yet at a local level. Collectively they are an important part of our sales strategy.

The new German subsidiary has been established but only during the last quarter so, as yet, it is somewhat early to comment upon performance or prospects.

With regard to 2003 we feel that the national and international trading conditions will be unsettled but we are quietly optimistic that we can maintain our performance.

Euro

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

NUMATIC INTERNATIONAL LIMITED

DIRECTOR'S REPORT

(continued)

31st December 2002

Fixed assets

In the opinion of the director, there is no significant difference between the present market value of the group's properties and the amounts at which they are stated in the accounts. Details are set out in Note 8.

Director

The sole director of the company at the year end and his beneficial interest in the shares of the company as recorded in the register of directors' interests was as follows

	31st December 2002 Ordinary Shares of £1 each	31st December 2001 Ordinary shares of £1 each
Mr C R Duncan	5,000,000	5,000,000

Employees

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

It is the group's policy to consider applications for employment from disabled people on the same basis as other potential employees. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. If an employee becomes disabled during the period of employment the group will, if necessary and to the extent possible, retrain the employee for duties suited to that employee's abilities following disablement.

Research and Development

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

Auditors

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

On behalf of the board


Mr A W House
Secretary

Knoll House
Knoll Road
Camberley
Surrey
GU15 3SY

22 August 2003

NUMATIC INTERNATIONAL LIMITED

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

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

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

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

22 August 2003

On behalf of the board



G.R. Duncan
Chairman

**NUMATIC INTERNATIONAL LIMITED
INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF NUMATIC INTERNATIONAL LIMITED**

We have audited the financial statements of Numatic International Limited on pages 6 to 26 for the year ended 31st December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Directors and Auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company at 31st December 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Stewart & Co.
Chartered Accountants
Registered Auditor**

Dated: 26/8/2003

Knoll House
Knoll Road
Camberley
Surrey GU15 3SY

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st December 2002

		2002	2001
	Note	£'000	(as restated) £'000
Turnover	2	61814	59260
Cost of sales		(42046)	(40287)
Gross profit		19768	18973
Interest received		20	52
Net operating expenses			
Distribution costs		(1544)	(1463)
Administrative expenses		(13223)	(13761)
Operating profit	3	5021	3801
Interest payable	5	(256)	(422)
Profit on ordinary activities before taxation		4765	3379
Taxation	6	(1533)	(1473)
Profit on ordinary activities after taxation	17	3232	1906
retained for the year			

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

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

NUMATIC INTERNATIONAL LIMITED

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

for the year ended 31st December 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 £'000	2001 £'000
Profit for the financial year	3232	1906
Foreign currency translation differences	331	110
Total recognised gains relating to the year	3563	2016
Prior year adjustment (Note 17)	(705)	-
Total profits recognised since last report	2858	2016

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
Profit for the financial year	3232	1906
Exchange difference on foreign translation	331	110
	3563	2016
Net increase in shareholders' funds	3563	2016
Opening shareholders' funds	21850	19834
Closing shareholders' funds (equity interests)	25413	21850

NUMATIC INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

at 31st December 2002

		2002		2001 (as restated)	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	7		107		-
Tangible assets	8		18167		18019
			18274		18019
Current assets					
Stock and work in progress	10	8331		8141	
Debtors	11	10305		8694	
Cash at bank and in hand		1496		678	
			20132	17513	
Creditors: amounts falling due within one year	12	11126		9368	
Net current assets			9006		8145
Total assets less current liabilities			27280		26164
Creditors: amounts falling due after more than one year	13		(1102)		(3609)
Provisions for liabilities and charges	15		(765)		(705)
Net Assets			25413		21850
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		20413		16850
Total shareholders' funds			25413		21850

The financial statements on pages 6 to 26 were approved by the director, and signed on **22 August 2003**.



C R Duncan
Chairman

NUMATIC INTERNATIONAL LIMITED

COMPANY BALANCE SHEET

at 31st December 2002

		2002		2001 (as restated)	
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		15305		15399
Investment in subsidiaries	9		7804		7171
			23109		22570
Current assets					
Stock and work in progress	10	6225		6141	
Debtors	11	11771		9558	
Cash at bank and in hand		775		449	
		18771		16148	
Creditors: amounts falling due within one year	12	8051		6568	
Net current assets			10720		9580
Total assets less current liabilities			33829		32150
Creditors: amounts falling due after more than one year	13		(1100)		(3600)
Provisions for liabilities and charges	15		(765)		(705)
			31964		27845
Capital and reserves					
Called up share capital	16		5000		5000
Profit and loss account	17		26964		22845
Total shareholders' funds			31964		27845

The financial statements on pages 6 to 26 were approved by the director, and signed on **22 August 2003**.



C R Dunean
Chairman

NUMATIC INTERNATIONAL LIMITED
CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31st December 2002

	Note	2002 £'000	2001 £'000
Net cash inflow from operating activities	18	6233	4163
Returns on investments and servicing of finance			
Interest element of finance lease rental payments		(2)	(2)
Other interest paid		(254)	(420)
Taxation			
Corporation tax paid		(951)	(1065)
Overseas taxation		2	27
Capital expenditure and financial investment			
Purchase of intangible fixed assets		(109)	-
Purchase of tangible fixed assets		(1414)	(1629)
Sale of tangible fixed assets		28	33
Net cash outflow from investing activity		(1495)	(1596)
Financing	18		
Repayment of bank loan		(500)	(200)
Repayment of pension scheme loan		(2000)	(500)
Capital element of finance lease rental payments		(8)	(15)
Net cash outflow from financing		(2508)	(715)
Increase in cash	18	1025	392

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2002**1. Accounting policies**

The principal accounting policies of the group are as follows:-

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The group has complied with the transitional provisions of FRS17 "Retirement benefits", a standard effective in the previous year. Transitional disclosures have been included in these financial statements.

Basis of consolidation

The consolidated financial statements fully incorporate the financial statements of the company and all of its subsidiary undertakings.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the group's activities after deduction of any trade discounts, value added tax and the elimination of inter-company sales.

Goodwill

Purchased goodwill (German subsidiary only) is amortised over its useful economic life of 20 years.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Freehold land	no depreciation is charged
Freehold buildings	2% per annum straight line (France 5%)
Leasehold land and buildings	straight line over period of lease
Plant, machinery and office equipment	on a straight line monthly basis over the first 6 years to 10% of original cost, thereafter its value in use is reassessed on an annual basis & 20% reducing balance basis
Computer equipment	on a straight line monthly basis over the first 3 years to 10% of original cost, thereafter its value in use is reassessed on an annual basis & 20% reducing balance basis
Motor vehicles	20%- 25% per annum straight line
Software	straight line basis over 5 years

Leases and hire purchase contracts

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

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

Investments

Investments held as fixed assets are stated at cost, provision is made for impairment where there is felt to be a permanent diminution in value of the underlying net assets.

NUMATIC INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
31st December 2002**1. Accounting policies (continued)****Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is computed on an average cost basis and in the case of work in progress and finished goods includes labour and attributable overheads based on normal levels of activity and state of completion. Net realisable value is based on estimated selling price less the estimated cost of disposal. Provision is made for unrealised profit included in group stock at the balance sheet date.

Deferred taxation

The group has fully complied with the provisions of FRS19 "Deferred tax" during the year. Full provision is now made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date. Prior to the adoption of FRS 19, the company would only provide for deferred taxation to the extent that timing differences were expected to materialise in the foreseeable future. The adoption of the new policy has been made by way of a prior year adjustment (see note 17) as though the revised policy had always been applied. Deferred tax assets and liabilities are not discounted.

Research and Development expenditure

Research and development expenditure is written off as incurred.

Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Balances denominated in foreign currencies are restated at the exchange rate ruling as at the balance sheet date, any gain or loss being dealt with in the profit and loss account. Balance sheets and profit and loss accounts of foreign subsidiaries are translated at the rates ruling at the balance sheet date. Differences on translation arising from changes in the sterling value of overseas net assets due to subsequent variations in exchange rates are shown as a movement in reserves and in the statement of total recognised gains and losses. All differences are taken to the profit and loss account.

The company does not carry out any hedging transactions and operates foreign denomination bank accounts solely for administrative purposes in dealing with foreign receipts and payments.

Pension schemes

The group operates a number of pension schemes.

The parent undertaking operates a defined benefit pension scheme, the assets of which are held in a trustee administered fund. Contributions to this scheme are charged to the profit and loss account by spreading the cost of the benefits over the expected remaining working lives of the members.

The overseas subsidiary undertakings make contributions (where applicable) on behalf of their employees into private funds, contributions to these schemes are charged to the profit and loss account as they are incurred.

The parent undertaking also operates a defined contribution self-administered scheme for directors, contributions to this scheme are charged to the profit and loss account as they are incurred.

2. Turnover

The turnover for the year was derived from the group's principal activity. In the opinion of the director all geographical markets are supplied under similar terms conditions and prices, and the products supplied form one class of business. Inter group trading is eliminated on consolidation. The director considers that any further disclosure in terms of turnover analysis would be commercially sensitive and therefore prejudicial to the group.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2002

3. Operating profit

	2002 £'000	2001 £'000
Operating profit is stated after charging:-		
Staff costs (Note 4)	16009	15880
Auditors' remuneration UK auditors	39	36
Auditors' remuneration overseas auditors	20	16
Research and development expenditure	208	183
Exchange (profit) or loss	(147)	653
Operating leases and licences to occupy		
Plant and machinery	251	287
Motor Vehicles	406	389
Land and buildings	257	219
Depreciation of tangible fixed assets (Note 8)		
owned assets	1293	1301
leased assets	5	6
	1298	1307
Loss/(profit) on disposal of tangible fixed assets	(6)	19
Amortisation of intangible fixed assets (Note 7)	2	-

The audit fee for the company was £30,000 (2001 - £27,000).

In the previous year, there was an exceptional exchange rate loss of £850,000 following a capitalisation of trade debt in the group's South African trading subsidiary. This was recognised in administrative expenses.

4. Directors and employees

	2002 £'000	2001 £'000
Staff costs including directors' emoluments		
Wages and salaries	14088	13965
Social security costs	1275	1245
Pension costs	646	670
	16009	15880
Directors		
Emoluments and highest paid director	899	742
Average monthly number employed including executive director(s):	Number	Number
Production	558	559
Administration, selling and management	146	151
	704	710

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2002

4. Directors and employees (continued)

Pension costs

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

Defined benefit pension scheme (company only)

The parent undertaking operates a defined benefit pension scheme, the assets of which are held in a trustee administered fund. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge for the year in respect of contributions paid into this scheme was £624,000 (2001 - £607,000).

Employees contribute 5% of salary with the balance of required contributions being met by the company (7.3% of pensionable salaries at the balance sheet). The assets and liabilities of the scheme are reviewed on a triennial basis by an actuary for funding purposes, the last valuation being as at 1st April 2000. The next actuarial valuation is due at 1st April 2003, although interim valuations will be performed at the end of each accounting year for the purposes of FRS 17 disclosures.

The actuarial assessment considers the assets and liabilities at the date of calculation and forecasts assets and liabilities in the future according to a set of assumptions, the most important of which are the rate of return on the assets and the rate of increase in remuneration and pensions. The assumptions used at 1st April 2000 were:

Inflation	3% per annum
Rate of return on investments	7% per annum (4% real rate of return in excess of assumed rate of future price inflation of 3%)
Salary increases	5% per annum (1.5% real rate of return in excess of assumed rate of future price inflation of 3% plus 0.5% per annum promotional increases)
Pension increases	2.5% per annum on the GMP element of a member's pension accrued after 6th April 1988. 2.75% for Limited Price Indexation in respect of pensions accrued after 6th April 1997.
Discount rate	4.0% per annum

At the date of the last full valuation, the actuarial valuation of the assets was £8,986,000 and of the liabilities £9,734,000, representing a shortfall of £748,000. This underfunding is being reduced by retaining the employer's contribution of 7.3% of pensionable salaries per annum to 2012, and then 6.5% thereafter. The position will be reviewed at the next actuarial valuation, which should have an effective date not more than three years from the date of the latest valuation. No provision has been made in these financial statements for the under-funding.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2002

4. Directors and employees (continued)

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

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

The actuarial valuation of the scheme was updated as at 31st December 2002 by a qualified independent actuary, based on an extrapolation of the previous year end position. The major assumptions used by the actuary were:-

	2002	2001
Discount rate	5.5%	6.0%
Rate of increase in salaries	3.9%	4.0%
Rate of increase in pensions in payment	2.3%	2.5%
Rate of increase in deferred pensions	2.3%	2.5%
Inflation assumption	2.4%	2.5%

The expected rates of return on and market value of assets at 31st December 2002 were:-

	2002	2002	2001	2001
		£'000		£'000
Equities	8.2%	7523	7.5%	9102
Bonds	4.7%	1518	6.0%	1232
Cash	4.0%	598	4.0%	840
		9639		11174

The following amounts at 31st December 2002 were measured in accordance with the requirements of FRS17:-

	2002	2001
	£'000	£'000
Total market value of assets	9639	11174
Present value of scheme liabilities	(14395)	(12432)
Shortfall in the scheme - pension liability	(4756)	(1258)

The deficit has arisen as a result of the continued poor performance of the world equity markets. If the above amounts had been recognised in the financial statements, the Group's total shareholders' funds at 31st December 2002 would have been as follows:-

	2002	2001
	£'000	£'000
		(Restated)
Total shareholders' funds excluding pension deficit	25413	21850
Shortfall in the scheme	(4756)	(1258)
Related deferred tax asset (calculated at 30%)	1427	377
Total shareholders' funds including pension deficit	22084	20969

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2002

4. Directors and employees (continued)

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

The related deferred tax asset is calculated at a notional rate of 30% of the FRS 17 deficit. This assumes that any future pension contributions required to fund the deficit would be allowable at this rate for tax purposes. (It is noted that total shareholders' funds at 31 December 2001 have been restated to reflect the prior year adjustment disclosed in note 17 to these financial statements.)

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

	Group £'000	Company £'000
Current service cost	(613)	(613)
Total operating charge	(613)	(613)
Expected return on assets	813	813
Interest on liabilities	(762)	(762)
Other finance income	51	51
Net charge to operating profit	(562)	(562)

The amount that would be taken to the consolidated statement of total recognised gains and losses under FRS 17 is as follows: -

	2002 £'000	% of scheme assets/liabilities
Difference between actual and expected return on assets	(2894)	(30.0%)
Experience gains arising on scheme liabilities	319	2.2%
Effects of changes in assumptions underlying the present value of scheme liabilities	(985)	(6.8%)
Total actuarial gain/(loss) recognised	(3560)	

	Group £'000	Company £'000
Opening deficit in the scheme	(1258)	(1258)
Current service cost	(613)	(613)
Contributions	624	624
Other finance income	51	51
Actuarial losses	(3560)	(3560)
Closing deficit in the scheme	(4756)	(4756)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2002

4. Directors and employees (continued)

Pension costsOther pension schemes

The parent undertaking operates a defined contribution self-administered scheme for its directors, from which the sole director is accruing benefits. No contributions were made by the parent company to this scheme during this year and the previous year.

The overseas subsidiary undertakings make contributions into employees' personal pension schemes.

Total pension costs

The pension cost charge represents contributions payable by the group to the funds and amounted to £646,000 (2001 - £670,000), including contributions payable by overseas subsidiary undertakings.

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

5. Interest payable

	2002 £'000	2001 £'000
On bank loans and overdrafts	140	263
On other loans	105	154
Hire purchase interest	2	2
Other interest	6	-
Interest on late tax	3	3
	256	422

6. Taxation

	2002 £'000	2001 £'000
Current tax		
Corporation tax of the group on profit on ordinary activities at 30% (2001 - 30%)	1475	1424
Underprovision in prior years	-	17
Overseas taxation	(2)	(27)
Total current tax charge	1473	1414
Deferred tax		
Timing differences, origination and reversal	60	59
Tax on profit on ordinary activities	1533	1473

The corporation tax is after group loss relief, reducing the charge by £264,000 (2001 - £214,000); the parent undertaking has paid for this relief in full.

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS
31st December 2002

6. Taxation - continued

Factors affecting tax charge for year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent).

The differences are explained below:

	2002 £'000	2001 £'000
Group profit on ordinary activities before taxation	4765	3379
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 December 2001 - 30%)	1430	1014
Expenses not deductible for tax purposes	30	29
Capital allowances for period in excess of depreciation	(77)	(42)
Adjustments to tax charge in respect of previous periods	-	17
Overseas taxation	(2)	(27)
Tax adjustment for losses in overseas subsidiaries	76	381
Other adjustments	16	42
Current tax charge for period	1473	1414

7. Intangible fixed assets

GROUP ONLY

	Goodwill £'000	Other £'000	Total £'000
Cost			
Additions	108	1	109
31st December 2002	108	1	109
Provision for diminution in value			
Charge for period	2	-	2
31st December 2002	2	-	2
Net book value			
31st December 2002	106	1	107

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 2002

8. Tangible fixed assets

GROUP	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Small Tools £'000	Total £'000
Cost						
1st January 2002	15526	5100	313	2480	30	23449
Exchange adjustments	52	2	12	14	-	80
Additions	64	658	131	561	-	1414
Disposals	-	(61)	(3)	(14)	-	(78)
31st December 2002	15642	5699	453	3041	30	24865
Depreciation						
1st January 2002	647	2866	233	1684	-	5430
Exchange adjustments	5	-	11	10	-	26
Charge for year	326	588	43	341	-	1298
Disposals	-	(51)	(3)	(2)	-	(56)
31st December 2002	978	3403	284	2033	-	6698
Net book amount						
31st December 2002	14664	2296	169	1008	30	18167
1st January 2002	14879	2234	80	796	30	18019

COMPANY	Land and Buildings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Furniture and Equipment £'000	Small Tools £'000	Total £'000
Cost						
1st January 2002	13394	4483	245	2050	30	20202
Additions	37	615	23	205	-	880
Disposals	-	(57)	-	-	-	(57)
31st December 2002	13431	5041	268	2255	30	21025
Depreciation						
1st January 2002	471	2687	173	1472	-	4803
Charge for year	239	498	7	225	-	969
Disposals	-	(52)	-	-	-	(52)
31st December 2002	710	3133	180	1697	-	5720
Net book amount						
31st December 2002	12721	1908	88	558	30	15305
1st January 2002	12923	1796	72	578	30	15399

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8. Tangible fixed assets - continued

The net book amount of motor vehicles and plant and machinery includes £1,000 (2001 - £3,000) and £13,000 (2001 - £16,000) respectively in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year for the two classes, the total of which is shown in Note 3 was £2,000 (2001 - £2,000) and £3,000 (2001 - £4,000) respectively.

Land and buildings

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Freehold	14478	14684	12721	12923
Short leasehold	186	195	-	-
	14664	14879	12721	12923

9. Investment in subsidiary undertakings

COMPANY	2002	2001
	£'000	£'000
Cost	7804	7171

The increased investment in subsidiary undertakings relates to the capital investment in a German subsidiary undertaking Numatic International GmbH, which commenced trading in August 2002.

It must be emphasised that the value of the investments in the subsidiary undertakings is disproportionate to their current asset value by £6,551,000 but, as will be seen from the Business Review in the Director's Report, there is a clear expectation that these investments will shortly provide a meaningful return on the capital employed which is the corporate view of how these investments should be valued.

All subsidiary undertakings are involved in manufacturing and distribution.

<u>Subsidiary</u>	<u>% share holding in ordinary share capital</u>	<u>Country of incorporation</u>
Numatic International SA	100	France
Numatic International (Proprietary) Ltd	100	South Africa
Numatic International GmbH	100	Germany
Chalon UK Ltd	100	England

10. Stocks

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Raw materials	3608	3977	3406	3691
Work in progress	922	709	823	670
Finished goods	3801	3455	1996	1780
	8331	8141	6225	6141

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11. Debtors

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Trade debtors	8166	7440	5803	5620
Amounts owed by group undertakings	-	-	4271	2984
Other debtors	304	154	26	36
Prepayments and accrued income	1835	1100	1671	918
	10305	8694	11771	9558

12. Creditors: amounts falling due within one year

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loan and overdrafts (see Note 19)	1466	1673	224	554
Net obligations under finance leases and hire purchase contracts (see Note 19)	7	8	-	-
Trade creditors	6330	4643	4994	3365
Corporation tax	1148	624	1148	624
Other taxation and social security	748	743	407	536
Accruals and deferred income	1427	1677	1278	1489
	11126	9368	8051	6568

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

	Group		Company	
	2002 £'000	2001 £'000	2002 £'000	2001 £'000
Bank loan	1100	1600	1100	1600
Pension scheme loan	-	2000	-	2000
Net obligations under finance leases and hire purchase contracts	2	9	-	-
	1102	3609	1100	3600

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14. Maturity of loans

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
In one year or less	200	200	200	200
Between one and two years	200	200	200	200
Between two and five years	900	3400	900	3400
Total bank and other loans	1300	3800	1300	3800

All loans and obligations under finance agreements are wholly repayable inside five years of the balance sheet date.

The bank loan is repayable based on minimum annual drawdowns; interest is charged at 1.25% above LIBOR, plus an adjustment for bank associated costs. The repayment terms of the pension scheme loan are detailed in Note 22.

Obligations under finance leases
and hire purchase contracts

	Group		Company	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
In the next year (see Note 19 re security)	7	8	-	-
In the second to fifth years	2	9	-	-
Total obligations under finance agreements	9	17	-	-

15. Provision for liabilities and charges

	Group		Company	
	2002	2001	2002	2001
	£'000	(as restated) £'000	£'000	(as restated) £'000
At 1st January 2002 – as restated	705	646	705	646
Movement in year	60	59	60	59
At 31st December 2002	765	705	765	705

NUMATIC INTERNATIONAL LIMITED

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31st December 2002

15. Provision for liabilities and charges - continued

The provision of £765,000 (2001 - £705,000) relates entirely to deferred taxation in respect of industrial buildings allowances as described in Note 17 to these financial statements. The potential liability is based on a tax rate of 30% (2001 - 30%); the liability has not been discounted.

	Deferred taxation	
	Group 2002 £'000	Company 2002 £'000
At 31st December 2001 - as previously stated	-	-
Prior year adjustment	705	705
At 1st January 2002 - restated	705	705
Deferred tax charge in profit and loss account	60	60
31st December 2002	765	765

16. Called up share capital

	2002		2001	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary shares of £1 each	5000000	5000000	5000000	5000000
Allotted called up and fully paid				
Ordinary shares of £1 each	5000000	5000000	5000000	5000000
		5000000		5000000

17. Profit and loss account

	Group 2002 £'000	Company 2002 £'000
At 31st December 2001 - as previously stated	17555	23550
Prior year adjustment - see note continued	(705)	(705)
At 1st January 2002 - restated	16850	22845
Retained profit for the year	3232	4119
Exchange differences on foreign translation	331	-
31st December 2002	20413	26964

NUMATIC INTERNATIONAL LIMITED

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31st December 2002

17. Profit and loss account - continued

In accordance with the provisions of FRS 19 'Deferred Taxation' a prior year adjustment of £705,000 has been recognised in respect of deferred taxation on industrial buildings allowances claimed to date on relevant industrial property. Industrial buildings allowances are repayable only if the building is sold within 25 years of the expenditure being incurred. FRS 19 makes it clear that these allowances are no different from other capital allowances, and as they may become repayable should the respective assets be sold within the 25 year expiry period, provision must be made for the potential clawback of taxation. Therefore, a prior year adjustment as disclosed above has been recognised in this respect, with the comparative figures for taxation charge in the profit and loss account and provision for deferred taxation in the balance sheet being restated accordingly.

18. Notes to the cash flow statement

Reconciliation of operating profit
to operating cash flows

	2002	2001
	£'000	£'000
Operating profit	5021	3801
Depreciation charges	1298	1307
Amortisation of intangible fixed assets	2	-
(Profit)/loss on sale of fixed assets	(6)	19
Exchange differences arising on consolidation	331	110
Exchange rate adjustments on fixed assets	(54)	31
(Increase) in stocks	(190)	(164)
(Increase)/decrease in debtors	(1611)	87
Increase/(decrease) in creditors	1442	(1028)
Net cash inflow from operating activities	6233	4163

Analysis of changes in net debt

	At start of year	Cash flows	At end of year
	£'000	£'000	£'000
Cash in hand, at bank	678	818	1496
Overdrafts	(1473)	207	(1266)
Total	(795)	1025	230

Debt due after one year

	At start of year	Cash flows	At end of year
	£'000	£'000	£'000
Bank loan	(1800)	500	(1300)
Pension scheme loan	(2000)	2000	-
Obligations under finance leases	(17)	8	(9)
Total	(3817)	2508	(1309)

NUMATIC INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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18. Notes to the cash flow statement - continued

Non cash transactions

In the year, the parent undertaking set up an operation in Germany as detailed in note 9. The investment of £633,000 was to purchase new issued share capital only, Numatic International GmbH being a newly incorporated company. Post acquisition, a proportion of the cash was used to purchase the trading assets, including goodwill, of an established German business. On the grounds of materiality, no analysis has been made in the consolidated cash flow statement in respect of the acquisition. This note has been included for an understanding of the underlying transaction.

19. Security

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

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

There is also a letter of comfort in place from the parent undertaking, in respect of any bank borrowings of Chalon UK Limited. There is also security given by the parent undertaking in respect of the bank borrowings of Numatic International SA.

20. Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in payments falling due in the following year as follows.

	2002 Land and Buildings £'000	2002 Plant & Other £'000	2001 Land and Buildings £'000	2001 Plant & Other £'000
Group				
Expiring				
Within one year	55	71	-	95
Within two to five years	40	427	73	456
After five years	122	-	122	-
	217	498	195	551
Company				
Expiring				
Within one year	-	68	-	83
Within two to five years	-	363	-	314
After five years	-	-	-	-
	-	431	-	397

As at the year end the group had committed to capital expenditure amounting to £Nil (company £Nil) (2001 - £Nil (company £Nil)).

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

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21. Profit of the parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year after tax amounted to £4,119,000 (2001 - £3,628,000).

22. Related party transactions

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

Mr C R Duncan and his wife are the trustees and sole beneficiaries of a pension scheme known as the Numatic Executive Scheme. The company rents factory premises from the scheme at commercially negotiated rentals, which amounted to £102,000 (2001 - £50,000) in the year.

A loan was made by the pension scheme to the company of £2m in February 2000, bearing interest at 1.25% over base. This loan was for a period of 5 years but could be repaid early subject to 6 months notice being given by the company to the scheme of its intention so to do. The loan was repaid in full in November 2002 and December 2002.