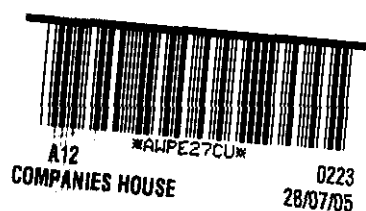


Leengate Industrial & Welding Supplies Limited

Directors' Report and Financial Statements

for the year ended 30 September 2004



**Hobsons
Chartered Accountants
Registered Auditors
Alexandra House
43 Alexandra Street
Nottingham
NG5 1AY**

Leengate Industrial & Welding Supplies Limited

Company information

Directors	R. C. Godley M. J. Giles
Secretary	R. C. Godley
Company number	2350403
Registered office	Redfield Road Lenton Nottingham NG7 2UJ
Registered Auditors	Hobsons Chartered Accountants Alexandra House 43 Alexandra Street Nottingham NG5 1AY
Bankers	National Westminster Bank plc Smiths Bank 16 South Parade Nottingham NG1 2JX

Leengate Industrial & Welding Supplies Limited

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Leengate Industrial & Welding Supplies Limited

Directors' report for the year ended 30 September 2004

The directors present their report and the financial statements for the year ended 30 September 2004.

Principal activity and review of the business

The principal activity of the company in the year under review was that of suppliers and repairers of welding equipment in conjunction with the supply of associated welding products.

Results and dividends

The results for the year are set out on page 3.

The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2004	2003
R. C. Godley	-	-
M. J. Giles	1,000	1,000

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:


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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Registered Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Hobsons be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 28th June 2005 and signed on its behalf by


R. C. Godley
Secretary

Leengate Industrial & Welding Supplies Limited

Independent auditors' report to the shareholders of Leengate Industrial & Welding Supplies Limited

We have audited the financial statements of Leengate Industrial & Welding Supplies Limited for the year ended 30 September 2004 set out on pages 3 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of 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 directors' 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 directors' 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company'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 the company's affairs as at 30 September 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Hobsons
Chartered Accountants and Registered Auditors
Alexandra House
43 Alexandra Street
Nottingham NG5 1AY

28 June 2005

Leengate Industrial & Welding Supplies Limited

**Profit and loss account
for the year ended 30 September 2004**

		Continuing operations	
		2004	2003
	Notes	£	£
Turnover	2	1,446,076	1,178,478
Cost of sales		(1,050,758)	(852,317)
Gross profit		395,318	326,161
Administrative expenses		(377,032)	(320,890)
Operating profit	3	18,286	5,271
Interest payable and similar charges	4	(10,414)	(9,671)
Profit/(loss) on ordinary activities before taxation		7,872	(4,400)
Tax on profit/(loss) on ordinary activities	7	(3,119)	(2,817)
Retained profit/(loss) for the year		4,753	(7,217)
Retained profit brought forward		51,341	58,558
Retained profit carried forward		56,094	51,341

There are no recognised gains or losses other than the profit or loss for the above two financial years.

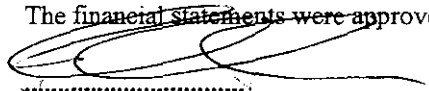
The notes on pages 6 to 13 form an integral part of these financial statements.

Leengate Industrial & Welding Supplies Limited

Balance sheet
as at 30 September 2004

	Notes	2004		2003	
		£	£	£	£
Fixed assets					
Intangible assets	8		32,375		39,125
Tangible assets	9		56,844		44,864
			<u>89,219</u>		<u>83,989</u>
Current assets					
Stocks	10	224,640		137,698	
Debtors	11	516,184		351,086	
Cash at bank and in hand		760		91	
		<u>741,584</u>		<u>488,875</u>	
Creditors: amounts falling due within one year	12	<u>(659,627)</u>		<u>(409,126)</u>	
Net current assets			<u>81,957</u>		<u>79,749</u>
Total assets less current liabilities			<u>171,176</u>		<u>163,738</u>
Creditors: amounts falling due after more than one year	13		<u>(105,082)</u>		<u>(102,397)</u>
Net assets			<u><u>66,094</u></u>		<u><u>61,341</u></u>
Capital and reserves					
Called up share capital	14		10,000		10,000
Profit and loss account			56,094		51,341
Equity shareholders' funds	15		<u><u>66,094</u></u>		<u><u>61,341</u></u>

The financial statements were approved by the Board on 28th June 2005 and signed on its behalf by


R. C. Godley
Director

The notes on pages 6 to 13 form an integral part of these financial statements.

Leengate Industrial & Welding Supplies Limited

**Cash flow statement
for the year ended 30 September 2004**

	Notes	2004 £	2003 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		18,286	5,271
Depreciation		23,201	22,164
(Increase) in stocks		(86,942)	20,163
(Increase) in debtors		(165,098)	(29,911)
Increase in creditors		215,124	(18,589)
Net cash inflow from operating activities		<u>4,571</u>	<u>(902)</u>
Cash flow statement			
Net cash inflow from operating activities		4,571	(902)
Returns on investments and servicing of finance	20	(10,414)	(9,671)
Taxation	20	(2,264)	(8,687)
Capital expenditure	20	(28,431)	(11,696)
		<u>(36,538)</u>	<u>(30,956)</u>
Financing	20	4,296	(4,079)
Decrease in cash in the year		<u>(32,242)</u>	<u>(35,035)</u>
Reconciliation of net cash flow to movement in net debt (Note 21)			
Decrease in cash in the year		(32,242)	(35,035)
Cash outflow from increase in debts and lease financing		2,397	4,079
		<u>(29,845)</u>	<u>(30,956)</u>
Change in net debt resulting from cash flows		(29,845)	(30,956)
New finance leases and hire purchase contracts		(6,693)	-
Movement in net debt in the year		<u>(36,538)</u>	<u>(30,956)</u>
Net debt at 1 October 2003		(160,130)	(129,174)
Net debt at 30 September 2004		<u>(196,668)</u>	<u>(160,130)</u>

Leengate Industrial & Welding Supplies Limited

Notes to the financial statements for the year ended 30 September 2004

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention.

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Tennants improvements to property	-	Straight line over 10 years
Plant and machinery	-	20% reducing balance
Fixtures, fittings	-	15% reducing balance
Office equipment	-	25% straight line
Motor vehicles	-	25% reducing balance

1.5. Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6. Stock

Stock is valued at the lower of cost and net realisable value.

Cost comprises purchase price or direct production cost together with attributable production and other overhead.

Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling & distribution.

1.7. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

3. Operating profit	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	6,750	6,750
Depreciation and other amounts written off tangible assets	16,368	12,772
Loss on disposal of tangible fixed assets	83	2,642
Operating lease rentals		
- Land and buildings	24,387	22,844
- Motor vehicles	15,690	17,819
Auditors' remuneration	3,500	3,400
	<u> </u>	<u> </u>
4. Interest payable and similar charges	2004	2003
	£	£
On amounts payable to group companies	5,499	7,262
On bank loans and overdraft	3,887	1,650
Hire purchase interest	1,028	759
	<u> </u>	<u> </u>
	10,414	9,671
	<u> </u>	<u> </u>
5. Employees		
Number of employees	2004	2003
The average monthly numbers of employees (including the directors) during the year were:	Number	Number
Management and sales	9	8
	<u> </u>	<u> </u>
Employment costs	2004	2003
	£	£
Wages and salaries	159,645	144,657
Social security costs	16,768	14,716
Other pension costs	4,848	4,581
	<u> </u>	<u> </u>
	181,261	163,954
	<u> </u>	<u> </u>
5.1. Directors' emoluments	2004	2003
	£	£
Remuneration and other emoluments	33,038	48,317
Pension contributions	1,232	1,930
	<u> </u>	<u> </u>
	34,270	50,247
	<u> </u>	<u> </u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	1	2
	<u> </u>	<u> </u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

6. Pension costs

The company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £4,848 (2003 - £4,581).

7. Tax on profit/(loss) on ordinary activities

Analysis of charge in period	2004 £	2003 £
Current tax		
UK corporation tax	3,245	2,390
Adjustments in respect of previous periods	(126)	427
	<u>3,119</u>	<u>2,817</u>

Factors affecting tax charge for period

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:

	2004 £	2003 £
Profit/(loss) on ordinary activities before taxation	<u>7,872</u>	<u>(4,400)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2003 : 30%)	2,362	(1,320)
Effects of:		
Expenses not deductible for tax purposes	900	2,747
Capital allowances for period in excess of depreciation	(17)	963
Adjustments to tax charge in respect of previous periods	(126)	427
Current tax charge for period	<u>3,119</u>	<u>2,817</u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

8. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 30 September 2004	67,500	67,500
Provision for diminution in value		
At 1 October 2003	28,375	28,375
Charge for year	6,750	6,750
At 30 September 2004	35,125	35,125
Net book values		
At 30 September 2004	32,375	32,375
At 30 September 2003	39,125	39,125

9. Tangible fixed assets

	Tenants improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2003	16,350	18,254	18,834	47,479	100,917
Additions	-	5,850	1,471	21,568	28,889
Disposals	-	-	-	(7,200)	(7,200)
At 30 September 2004	16,350	24,104	20,305	61,847	122,606
Depreciation					
At 1 October 2003	6,131	11,390	15,323	23,209	56,053
Charge for the year	1,635	2,542	867	11,324	16,368
On disposals	-	-	-	(6,659)	(6,659)
At 30 September 2004	7,766	13,932	16,190	27,874	65,762
Net book values					
At 30 September 2004	8,584	10,172	4,115	33,973	56,844
At 30 September 2003	10,219	6,864	3,511	24,270	44,864

Included above are assets held under finance leases or hire purchase contracts as follows:

	2004 Net book value £	Depreciation charge £	2003 Net book value £	Depreciation charge £
Asset description				
Motor vehicles	17,162	5,721	10,183	3,395

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

10. Stocks	2004	2003
	£	£
Finished goods and goods for resale	<u>224,640</u>	<u>137,698</u>
11. Debtors	2004	2003
	£	£
Trade debtors	491,465	327,095
Amounts owed by group undertakings	12,082	12,105
Other debtors	12,637	11,886
	<u>516,184</u>	<u>351,086</u>
12. Creditors: amounts falling due within one year	2004	2003
	£	£
Bank overdraft	186,276	153,365
Net obligations under finance leases and hire purchase contracts	6,070	4,459
Trade creditors	241,203	145,051
Amounts owed to group undertaking	198,585	82,694
Corporation tax	3,245	2,390
Other taxes and social security costs	9,355	16,130
Other creditors	14,893	5,037
	<u>659,627</u>	<u>409,126</u>

Bank overdrafts amounting to £186,276 (2003 £153,365) are secured by a charge over the company book debts. In addition Leengate Welding Group Limited, the parent company, has given a guarantee limited to £100,000.

13. Creditors: amounts falling due after more than one year	2004	2003
	£	£
Amounts owed to group undertakings	100,000	100,000
Net obligations under finance leases and hire purchase contracts	5,082	2,397
	<u>105,082</u>	<u>102,397</u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

14. Share capital	2004	2003
	£	£
Authorised		
20,000 Ordinary shares of 1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of 1 each	<u>10,000</u>	<u>10,000</u>
15. Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit/(loss) for the year	4,753	(7,217)
Opening shareholders' funds	<u>61,341</u>	<u>68,558</u>
Closing shareholders' funds	<u>66,094</u>	<u>61,341</u>

16. Financial commitments

At 30 September 2004 the company had annual commitments operating leases as follows:

	Land and buildings		Other	
	2004	2003	2004	2003
	£	£	£	£
Expiry date:				
Within one year	-	-	-	5,938
Between one and five years	<u>31,300</u>	<u>23,000</u>	<u>6,948</u>	<u>-</u>
	<u>31,300</u>	<u>23,000</u>	<u>6,948</u>	<u>5,938</u>

17. Contingent liabilities

The company has entered into an agreement with the minority ordinary shareholders whereby upon death, retirement or termination of employment of the shareholders the company (or its parent company) shall repurchase the ordinary shares at a price as determined by the Articles of Association.

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

18. Related party transactions

The following transactions with related parties occurred during the year.

Related parties	Sales	Purchases	Management & Administration charges
Intermediate parent undertaking	£Nil (2003 £Nil)	£Nil (2003 £Nil)	£29,000 (2003 £10,000)
Fellow subsidiary undertakings	£21,439 (2003 £36,429)	£121,927 (2003 £56,159)	£Nil (2003 £Nil)

All purchases and sale of goods to group companies are at cost.

In addition during the year the company acquired a motor vehicle for £3,773 from a fellow subsidiary undertaking and stock from a fellow subsidiary undertaking for £54,398.

The company had the following balances with related parties:

	2004	2003
Amounts owed by intermediate parent undertaking.	£6,399	£Nil
Amounts owed by fellow subsidiary undertakings.	£5,683	£12,105
Amounts owed to intermediate parent undertaking.	£138,724	£163,932
Amounts owed to fellow subsidiary undertakings.	£159,861	£18,762

19. Ultimate parent undertaking

The company is a 90% subsidiary of Leengate Welding Group Ltd, a company registered in England & Wales.

The ultimate parent company is The BOC Group Plc, a company registered in England and Wales.

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the year ended 30 September 2004**

20. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest paid	(10,414)	(9,671)
Taxation		
Corporation tax paid	(2,264)	(8,687)
Capital expenditure		
Payments to acquire tangible assets	(28,889)	(13,483)
Receipts from sales of tangible assets	458	1,787
	<u>(28,431)</u>	<u>(11,696)</u>
Financing		
Capital element of finance leases and hire purchase contracts	4,296	(4,079)

21. Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	91	669		760
Overdrafts	(153,365)	(32,911)		(186,276)
	<u>(153,274)</u>	<u>(32,242)</u>		<u>(185,516)</u>
Finance leases and hire purchase contracts	(6,856)	2,397	(6,693)	(11,152)
Net funds	<u>(160,130)</u>	<u>(29,845)</u>	<u>(6,693)</u>	<u>(196,668)</u>