

Registration number 3492467

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Directors' report and financial statements**

**for the year ended 30 September 2003**



**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Company information**

Directors	R. C. Godley G. Gill J. Calderwood
Secretary	R. C. Godley
Company number	3492467
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 Branch 16 South Parade Nottingham NG1 2JX

# Leengate Industrial & Welding Supplies (Scotland) Limited

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**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Directors' report  
for the year ended 30 September 2003**

The directors present their report and the financial statements for the year ended 30 September 2003.

**Principal activity and review of the business**

The principal activity of the company in the year under review was that of selling welding supplies and equipment, and associated repair work.

**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	
	2003	2002
R. C. Godley	-	-
G. Gill	125	125
J. Calderwood	125	125

**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:

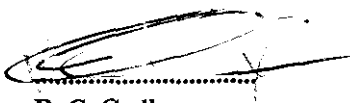
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 2 July 2004 and signed on its behalf by



**R. C. Godley**  
Secretary

## **Leengate Industrial & Welding Supplies (Scotland) Limited**

### **Independent auditors' report to the shareholders of Leengate Industrial & Welding Supplies (Scotland) Limited**

We have audited the financial statements of Leengate Industrial & Welding Supplies (Scotland) Limited for the year ended 30 September 2003 set out on pages 3 to 12. 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 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 the 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 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.

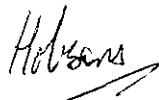
#### **Basis of audit opinion**

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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



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

**9 July 2004**

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Profit and loss account  
for the year ended 30 September 2003**

		<b>Continuing operations</b>	
		<b>2003</b>	<b>2002</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	1,783,597	1,844,508
Cost of sales		(1,235,267)	(1,311,006)
<b>Gross profit</b>		<u>548,330</u>	<u>533,502</u>
Administrative expenses		(447,032)	(512,936)
<b>Operating profit</b>	<b>3</b>	<u>101,298</u>	<u>20,566</u>
Interest payable and similar charges	<b>4</b>	(13,037)	(9,941)
<b>Profit on ordinary activities before taxation</b>		88,261	10,625
Tax on profit on ordinary activities	<b>7</b>	(31,415)	(7,985)
<b>Retained profit for the year</b>		<u>56,846</u>	<u>2,640</u>
Retained profit brought forward		20,029	17,389
<b>Retained profit carried forward</b>		<u><u>76,875</u></u>	<u><u>20,029</u></u>

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 12 form an integral part of these financial statements.

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Balance sheet  
as at 30 September 2003**

		<b>2003</b>		<b>2002</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Intangible assets	<b>8</b>		15,033		6,803
Tangible assets	<b>9</b>		59,040		33,920
			<u>74,073</u>		<u>40,723</u>
<b>Current assets</b>					
Stocks	<b>10</b>	268,417		212,122	
Debtors	<b>11</b>	661,736		451,050	
Cash at bank and in hand		4,192		-	
		<u>934,345</u>		<u>663,172</u>	
<b>Creditors: amounts falling due within one year</b>	<b>12</b>	(930,543)		(682,866)	
<b>Net current assets/(liabilities)</b>			3,802		(19,694)
<b>Net assets</b>			<u>77,875</u>		<u>21,029</u>
<b>Capital and reserves</b>					
Called up share capital	<b>13</b>		1,000		1,000
Profit and loss account			76,875		20,029
<b>Equity shareholders' funds</b>	<b>14</b>		<u>77,875</u>		<u>21,029</u>

The financial statements were approved by the Board on 2 July 2004 and signed on its behalf by



**R. C. Godley**  
**Director**

The notes on pages 6 to 12 form an integral part of these financial statements.

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Cash flow statement  
for the year ended 30 September 2003**

	<b>Notes</b>	<b>2003 £</b>	<b>2002 £</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		101,298	20,566
Depreciation		21,596	11,452
(Increase) in stocks		(56,295)	(1,203)
(Increase) in debtors		(210,686)	144,910
Increase in creditors		163,611	(27,524)
<b>Net cash inflow from operating activities</b>		<u>19,524</u>	<u>148,201</u>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		19,524	148,201
Returns on investments and servicing of finance	<b>18</b>	(13,037)	(9,941)
Taxation	<b>18</b>	(7,675)	(12,231)
Capital expenditure	<b>18</b>	(54,947)	(4,264)
<b>Decrease in cash in the year</b>		<u>(56,135)</u>	<u>121,765</u>
<b>Reconciliation of net cash flow to movement in net debt (Note 19)</b>			
<b>Decrease in cash in the year</b>		(56,135)	121,765
<b>Net debt at 1 October 2002</b>		(103,139)	(224,904)
<b>Net debt at 30 September 2003</b>		<u>(159,274)</u>	<u>(103,139)</u>



**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

**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:

Land and buildings	-	Straight line over 6 years
Plant and machinery	-	20% reducing balance
Office furniture and fittings	-	15% reducing balance
Office equipment	-	25% straight line
Motor vehicles	-	25% reducing balance

**1.5. Leasing**

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 (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

<b>3. Operating profit</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	1,770	769
Depreciation and other amounts written off tangible assets	19,826	10,683
Operating lease rentals		
- Plant and machinery	15,107	16,853
- Land and buildings	33,928	26,655
Auditors' remuneration	3,800	3,000
	<u>          </u>	<u>          </u>
 <b>4. Interest payable and similar charges</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
On bank loans and overdrafts	9,953	9,941
On amounts paid to group companies	3,084	-
	<u>13,037</u>	<u>9,941</u>
 <b>5. Employees</b>		
<b>Number of employees</b>		
The average monthly numbers of employees (including the directors) during the year were:	<b>2003</b>	<b>2002</b>
	<b>Number</b>	<b>Number</b>
Management and sales	<u>11</u>	<u>11</u>
 <b>Employment costs</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
Wages and salaries	196,226	211,680
Social security costs	20,893	21,395
Other pension costs	6,676	5,506
	<u>223,795</u>	<u>238,581</u>
 <b>5.1. Directors' emoluments</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
Remuneration and other emoluments	84,178	82,633
Pension contributions	2,550	2,065
	<u>86,728</u>	<u>84,698</u>
	<b>Number</b>	<b>Number</b>
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>2</u>	<u>2</u>

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

**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 £6,676 (2002 - £5,506).

**7. Tax on profit on ordinary activities**

<b>Analysis of charge in period</b>	<b>2003 £</b>	<b>2002 £</b>
<b>Current tax</b>		
UK corporation tax	31,883	8,144
Prior period adjustments	(468)	(159)
	<u>31,415</u>	<u>7,985</u>
Total current tax charge	<u>31,415</u>	<u>7,985</u>
Tax on profit on ordinary activities	<u>31,415</u>	<u>7,985</u>

**Factors affecting tax charge for period**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below:

	<b>2003 £</b>	<b>2002 £</b>
Profit on ordinary activities before taxation	<u>88,261</u>	<u>10,625</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2002 : 30%)	26,478	3,188
Expenses not deductible for tax purposes (primarily goodwill amortisation)	3,655	3,698
Depreciation for the period in excess of capital allowances	1,750	1,258
Adjustments to tax charge in respect of previous periods	(468)	(159)
Current tax charge for period	<u>31,415</u>	<u>7,985</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements  
for the year ended 30 September 2003

8. Intangible fixed assets

	Goodwill £	Total £
<b>Cost</b>		
At 1 October 2002	7,700	7,700
Additions	10,000	10,000
At 30 September 2003	<u>17,700</u>	<u>17,700</u>
<b>Provision for diminution in value</b>		
At 1 October 2002	897	897
Charge for year	1,770	1,770
At 30 September 2003	<u>2,667</u>	<u>2,667</u>
<b>Net book values</b>		
At 30 September 2003	<u>15,033</u>	<u>15,033</u>
At 30 September 2002	<u>6,803</u>	<u>6,803</u>

9. Tangible fixed assets

	Tenants improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 October 2002	15,100	4,500	27,667	27,152	74,419
Additions	-	-	1,395	43,552	44,947
At 30 September 2003	<u>15,100</u>	<u>4,500</u>	<u>29,062</u>	<u>70,704</u>	<u>119,366</u>
<b>Depreciation</b>					
At 1 October 2002	11,758	1,620	11,985	15,136	40,499
Charge for the year	2,520	576	3,811	12,920	19,827
At 30 September 2003	<u>14,278</u>	<u>2,196</u>	<u>15,796</u>	<u>28,056</u>	<u>60,326</u>
<b>Net book values</b>					
At 30 September 2003	<u>822</u>	<u>2,304</u>	<u>13,266</u>	<u>42,648</u>	<u>59,040</u>
At 30 September 2002	<u>3,342</u>	<u>2,880</u>	<u>15,682</u>	<u>12,016</u>	<u>33,920</u>

10. Stocks

	2003 £	2002 £
Finished goods and goods for resale	<u>268,417</u>	<u>212,122</u>

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

<b>11. Debtors</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Trade debtors	614,052	421,295
Amounts owed by group undertakings	34,016	6,929
Other debtors	13,668	22,826
	<u>661,736</u>	<u>451,050</u>
 <b>12. Creditors: amounts falling due within one year</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
Bank overdraft	163,466	103,139
Trade creditors	509,203	375,856
Amounts owed to group undertaking	192,546	168,564
Corporation tax	31,883	8,144
Other taxes and social security costs	20,425	6,361
Other creditors	13,020	20,802
	<u>930,543</u>	<u>682,866</u>
 Bank overdrafts amounting to £163,465 (2002 £103,139) are secured by a charge over book debts.		
 <b>13. Share capital</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
<b>Authorised equity</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
 <b>Allotted, called up and fully paid equity</b>		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
 <b>14. Reconciliation of movements in shareholders' funds</b>	 <b>2003</b>	 <b>2002</b>
	<b>£</b>	<b>£</b>
Profit for the year	56,846	2,640
Opening shareholders' funds	21,029	18,389
Closing shareholders' funds	<u>77,875</u>	<u>21,029</u>

**Leengate Industrial & Welding Supplies (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

**15. Financial commitments**

At 30 September 2003 the company had annual commitments under operating leases as follows:

	<b>Land and buildings</b>	
	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
<b>Expiry date:</b>		
Between one and five years	<u>27,300</u>	<u>27,300</u>

**16. Related party transactions**

The following transactions with related parties occurred during the year

<b>Related parties</b>	<b>Sales</b>	<b>Purchases</b>	<b>Management &amp; Administration charges</b>
Intermediate parent undertaking	£Nil	£Nil	£22,000
Fellow subsidiary undertakings	£67,553	£116,329	£Nil

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

At 30 September 2003 there were the following balances with related parties:

Amounts owed by intermediate parent undertaking	£Nil
Amounts owed by fellow subsidiary undertakings	£34,016
Amounts owed to intermediate parent undertaking	£112,809
Amounts owed to fellow subsidiary undertakings	£79,737

**17. Ultimate parent undertaking**

The company is a 75% subsidiary of Leengate Welding Group Limited, 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 (Scotland) Limited**

**Notes to the financial statements  
for the year ended 30 September 2003**

**18. Gross cash flows**

	2003 £	2002 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(13,037)	(9,941)
<b>Taxation</b>		
Corporation tax paid	(7,676)	(12,231)
<b>Capital expenditure</b>		
Payments to acquire intangible assets	(10,000)	-
Payments to acquire tangible assets	(44,947)	(4,264)
	<u>(54,947)</u>	<u>(4,264)</u>

**19. Analysis of changes in net funds**

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	-	4,192	4,192
Overdrafts	(103,139)	(60,327)	(163,466)
	<u>(103,139)</u>	<u>(56,135)</u>	<u>(159,274)</u>
<b>Net funds</b>	<u>(103,139)</u>	<u>(56,135)</u>	<u>(159,274)</u>