

Leengate Industrial & Welding Supplies (Scotland) 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 (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 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 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	
	2004	2003
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:

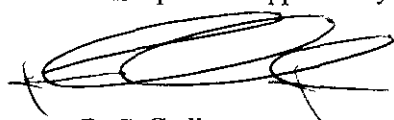
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the 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 28 June 2005 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 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 (Scotland) Limited

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

		Continuing operations	
		2004	2003
	Notes	£	£
Turnover	2	3,430,753	1,783,597
Cost of sales		(2,660,477)	(1,235,267)
Gross profit		<u>770,276</u>	<u>548,330</u>
Administrative expenses		(664,668)	(447,032)
Operating profit	3	<u>105,608</u>	<u>101,298</u>
Interest payable and similar charges	4	(13,724)	(13,037)
Profit on ordinary activities before taxation		<u>91,884</u>	<u>88,261</u>
Tax on profit on ordinary activities	7	(29,380)	(31,415)
Profit on ordinary activities after taxation		<u>62,504</u>	<u>56,846</u>
Retained profit for the year		<u>62,504</u>	<u>56,846</u>
Retained profit brought forward		76,875	20,029
Retained profit carried forward		<u><u>139,379</u></u>	<u><u>76,875</u></u>

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

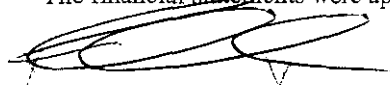
The notes on pages 6 to 13 form an integral part of these financial statements.

Leengate Industrial & Welding Supplies (Scotland) Limited

Balance sheet
as at 30 September 2004

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8		103,263		15,033
Tangible assets	9		68,947		59,040
			<u>172,210</u>		<u>74,073</u>
Current assets					
Stocks	10	299,234		268,417	
Debtors	11	1,123,618		661,736	
Cash at bank and in hand		1,514		4,192	
		<u>1,424,366</u>		<u>934,345</u>	
Creditors: amounts falling due within one year	12	<u>(1,456,197)</u>		<u>(930,543)</u>	
Net current (liabilities)/assets			<u>(31,831)</u>		<u>3,802</u>
Net assets			<u>140,379</u>		<u>77,875</u>
Capital and reserves					
Called up share capital	13		1,000		1,000
Profit and loss account			139,379		76,875
Equity shareholders' funds	14		<u>140,379</u>		<u>77,875</u>

The financial statements were approved by the Board on 28 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 (Scotland) 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		105,608	101,298
Depreciation		34,107	21,596
(Increase) in stocks		(30,817)	(56,295)
(Increase) in debtors		(461,882)	(210,686)
Increase in creditors		440,734	163,611
Net cash inflow from operating activities		<u>87,750</u>	<u>19,524</u>

Cash flow statement

Net cash inflow from operating activities		87,750	19,524
Returns on investments and servicing of finance	18	(13,724)	(13,037)
Taxation	18	(9,000)	(7,675)
Capital expenditure	18	(132,244)	(54,947)
Decrease in cash in the year		<u>(67,218)</u>	<u>(56,135)</u>

Reconciliation of net cash flow to movement in net debt (Note 19)

Decrease in cash in the year	(67,218)	(56,135)
Net debt at 1 October 2003	<u>(159,274)</u>	<u>(103,139)</u>
Net debt at 30 September 2004	<u>(226,492)</u>	<u>(159,274)</u>

Leengate Industrial & Welding Supplies (Scotland) 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:

Land and buildings	-	Straight line over 6 years
Plant and machinery	-	20% reducing balance
Office furniture & 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.

1.8. Deferred taxation

The company adopted Financial Reporting Standard 19 "Deferred Taxation" (FRS 19) during the financial year.

Full provision is 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 provided for deferred taxation only 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 as though the revised policy had always been applied.

Leengate Industrial & Welding Supplies (Scotland) Limited

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

2. Turnover

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

3. Operating profit

	2004	2003
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off intangible assets	11,770	1,770
Depreciation and other amounts written off tangible assets	19,413	19,826
Loss on disposal of tangible fixed assets	2,924	-
Operating lease rentals		
- Land and buildings	51,629	33,928
- Motor vehicles	15,921	15,107
Auditors' remuneration	3,500	3,800
	<u> </u>	<u> </u>

4. Interest payable and similar charges

	2004	2003
	£	£
Interest payable on loans < 1 yr	10,640	9,953
On loans repayable between two and five years	3,084	3,084
	<u> </u>	<u> </u>
	13,724	13,037
	<u> </u>	<u> </u>

5. Employees

Number of employees

The average monthly numbers of employees (including the directors) during the year were:

	2004	2003
	Number	Number
Management and sales	14	11
	<u> </u>	<u> </u>

Employment costs

	2004	2003
	£	£
Wages and salaries	300,372	196,226
Social security costs	30,488	20,893
Other pension costs	8,824	6,676
	<u> </u>	<u> </u>
	339,684	223,795
	<u> </u>	<u> </u>

Leengate Industrial & Welding Supplies (Scotland) Limited

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

5.1. Directors' emoluments	2004	2003
	£	£
Remuneration and other emoluments	82,000	84,178
Pension contributions	3,375	2,550
	<u>85,375</u>	<u>86,728</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>2</u>	<u>2</u>

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 £8,824 (2003 - £6,676).

Leengate Industrial & Welding Supplies (Scotland) Limited

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

7. Tax on profit on ordinary activities

Analysis of charge in period	2004 £	2003 £
Current tax		
UK corporation tax	29,380	31,883
Adjustments in respect of previous periods	(22,883)	(468)
Group relief	22,883	-
	<u>29,380</u>	<u>31,415</u>

The Corporation tax payable for the year ended 2003 had been reduced by £22,883.10 because of group relief received from fellow subsidiary undertakings for which an amount of £22,883.10 is payable.

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 on ordinary activities before taxation	<u>91,884</u>	<u>88,261</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2003 : 30%)	27,565	26,478
Effects of:		
Expenses not deductible for tax purposes	1,669	3,655
Depreciation for the period in excess of capital allowances	146	1,750
Adjustments to tax charge in respect of previous periods	-	(468)
Current tax charge for period	<u>29,380</u>	<u>31,415</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

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

8. Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 October 2003	17,700	17,700
Additions	100,000	100,000
At 30 September 2004	<u>117,700</u>	<u>117,700</u>
Provision for diminution in value		
At 1 October 2003	2,667	2,667
Charge for year	11,770	11,770
At 30 September 2004	<u>14,437</u>	<u>14,437</u>
Net book values		
At 30 September 2004	<u>103,263</u>	<u>103,263</u>
At 30 September 2003	<u>15,033</u>	<u>15,033</u>

9. Tangible fixed assets

	Land and buildings freehold £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2003	15,100	4,500	29,062	70,704	119,366
Additions	7,500	1,485	15,617	8,068	32,670
Disposals	-	-	-	(16,940)	(16,940)
At 30 September 2004	<u>22,600</u>	<u>5,985</u>	<u>44,679</u>	<u>61,832</u>	<u>135,096</u>
Depreciation					
At 1 October 2003	14,278	2,196	15,796	28,056	60,326
Charge for the year	1,446	758	5,366	11,843	19,413
On disposals	-	-	-	(13,590)	(13,590)
At 30 September 2004	<u>15,724</u>	<u>2,954</u>	<u>21,162</u>	<u>26,309</u>	<u>66,149</u>
Net book values					
At 30 September 2004	<u>6,876</u>	<u>3,031</u>	<u>23,517</u>	<u>35,523</u>	<u>68,947</u>
At 30 September 2003	<u>822</u>	<u>2,304</u>	<u>13,266</u>	<u>42,648</u>	<u>59,040</u>

10. Stocks

	2004 £	2003 £
Finished goods and goods for resale	<u>299,234</u>	<u>268,417</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

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

11. Debtors	2004	2003
	£	£
Trade debtors	1,034,246	614,052
Amounts owed by group undertakings	28,079	34,016
Other debtors	61,293	13,668
	<u>1,123,618</u>	<u>661,736</u>

12. Creditors: amounts falling due within one year	2004	2003
	£	£
Bank overdraft	228,006	163,466
Trade creditors	760,939	509,203
Amounts owed to group undertaking	410,661	192,546
Corporation tax	29,380	31,883
Other taxes and social security costs	7,226	20,425
Other creditors	19,985	13,020
	<u>1,456,197</u>	<u>930,543</u>

Bank overdrafts amounting to £228,006 (2003 £163,465) are secured by a charge over book debts.

13. Share capital	2004	2003
	£	£
Authorised		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of 1 each	<u>1,000</u>	<u>1,000</u>

14. Reconciliation of movements in shareholders' funds	2004	2003
	£	£
Profit for the year	62,504	56,846
Opening shareholders' funds	77,875	21,029
Closing shareholders' funds	<u>140,379</u>	<u>77,875</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

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

15. Financial commitments

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

	Land and buildings	
	2004	2003
	£	£
Expiry date:		
Between one and five years	27,300	27,300

16. 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)	£21,000 (2003 £22,000)
Fellow subsidiary undertakings	£83,868 (2003 £67,553)	£363,211 (2003 £116,329)	£Nil (2003 £Nil)

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

The company had the following balances with related parties:

	2004	2003
Amounts owed by intermediate parent undertakings.	£Nil	£Nil
Amounts owed by fellow subsidiary undertakings.	£28,079	£34,016
Amounts owed to intermediate parent undertakings.	£191,380	£112,809
Amounts owed to fellow subsidiary undertakings.	£219,281	£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 2004**

18. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest paid	(13,724)	(13,037)
	<u>(13,724)</u>	<u>(13,037)</u>
Taxation		
Corporation tax paid	(9,000)	(7,676)
	<u>(9,000)</u>	<u>(7,676)</u>
Capital expenditure		
Payments to acquire intangible assets	(100,000)	(10,000)
Payments to acquire tangible assets	(32,670)	(44,947)
Receipts from sales of tangible assets	426	-
	<u>(132,244)</u>	<u>(54,947)</u>

19. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	4,192	(2,678)	1,514
Overdrafts	(163,466)	(64,540)	(228,006)
	<u>(159,274)</u>	<u>(67,218)</u>	<u>(226,492)</u>
Net funds	<u>(159,274)</u>	<u>(67,218)</u>	<u>(226,492)</u>