

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

**Directors' report and financial statements**

**for the period ended 31 December 2006**

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

**WEDNESDAY**



## Leengate Industrial & Welding Supplies (Scotland) Limited

### Company information

Directors	R C Godley G Gill J Calderwood P J Chapman R Walker	Appointed 14 September 2006 Appointed 14 September 2006
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**

## **Contents**

	<b>Page</b>
Directors' report	<b>1 - 2</b>
Auditors' report	<b>3 - 4</b>
Profit and loss account	<b>5</b>
Balance sheet	<b>6</b>
Cash flow statement	<b>7</b>
Notes to the financial statements	<b>8 - 16</b>

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

## **Directors' report for the period ended 31 December 2006**

The directors present their report and the financial statements for the period ended 31 December 2006

### **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

The directors are very pleased with the continuing profitability of the company and with its financial position at the end of the year. The directors do not expect there to be any major changes in this regard in the forthcoming year. The directors are of the opinion that an understanding of the development and performance of the business is evident from these financial statements and that analysis using key performance indicators is not necessary for this understanding. The directors have concluded that this is a reasonable view having regard to the size and complexity of the business.

### **Results and dividends**

The results for the period are set out on page 5

The directors do not recommend payment of a final dividend

### **Directors and their interests**

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

		<b>Class of share</b>	<b>31/12/06</b>	<b>01/10/05 or date of appointment</b>
R C Godley		Ordinary shares	-	-
G Gill		Ordinary shares	125	125
J Calderwood		Ordinary shares	125	125
P J Chapman	Appointed 14 September 2006	Ordinary shares	-	-
R Walker	Appointed 14 September 2006	Ordinary shares	-	-

### **Directors' responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period 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 period. 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

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

**Directors' report  
for the period ended 31 December 2006**

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.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

**Statement as to disclosure of information to auditors**

In so far as the directors are aware

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**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 **3 - 10-2007** 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 period ended 31 December 2006 set out on pages 5 to 16. These financial statements have been prepared under the historical cost convention and in accordance with 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 International Standards on Auditing (UK and Ireland) 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.

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

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

**Opinion**

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the period then ended, and

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Directors' Report is consistent with the financial statements for the period ended 31 December 2006

A handwritten signature in black ink, appearing to read 'Hobsons', with a long horizontal flourish extending to the right.

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

**3 October 2007**

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

**Profit and loss account  
for the period ended 31 December 2006**

		<b>Continuing operations</b>	
		<b>Period ended 31/12/06</b>	<b>Year ended 30/09/05</b>
	<b>Notes</b>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	3,935,505	3,456,838
Cost of sales		(2,862,646)	(2,635,537)
<b>Gross profit</b>		1,072,859	821,301
Administrative expenses		(786,402)	(609,869)
<b>Operating profit</b>	<b>3</b>	286,457	211,432
Interest payable and similar charges	<b>4</b>	(7,774)	(10,762)
<b>Profit on ordinary activities before taxation</b>		278,683	200,670
Tax on profit on ordinary activities	<b>7</b>	(94,131)	(76,528)
<b>Profit on ordinary activities after taxation</b>		184,552	124,142
<b>Retained profit for the period</b>		184,552	124,142
Retained profit brought forward		263,521	139,379
<b>Retained profit carried forward</b>		448,073	263,521

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

The notes on pages 8 to 16 form an integral part of these financial statements

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

**Balance sheet  
as at 31 December 2006**

		<b>31/12/06</b>		<b>30/09/05</b>	
	<b>Notes</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Intangible assets	<b>8</b>		76,780		91,493
Tangible assets	<b>9</b>		49,512		61,966
			<u>126,292</u>		<u>153,459</u>
<b>Current assets</b>					
Stocks	<b>10</b>	294,306		359,898	
Debtors	<b>11</b>	857,476		889,830	
Cash at bank and in hand		537		1,787	
		<u>1,152,319</u>		<u>1,251,515</u>	
<b>Creditors amounts falling due within one year</b>	<b>12</b>	(828,400)		(1,140,453)	
<b>Net current assets</b>			<u>323,919</u>		<u>111,062</u>
<b>Total assets less current liabilities</b>			450,211		264,521
<b>Creditors amounts falling due after more than one year</b>	<b>13</b>		(1,138)		-
<b>Net assets</b>			<u>449,073</u>		<u>264,521</u>
<b>Capital and reserves</b>					
Called up share capital	<b>14</b>		1,000		1,000
Profit and loss account			448,073		263,521
<b>Equity shareholders' funds</b>	<b>15</b>		<u>449,073</u>		<u>264,521</u>

The financial statements were approved by the Board on 3-10-2007 and signed on its behalf by



**R C Godley**  
Director

The notes on pages 8 to 16 form an integral part of these financial statements

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

**Cash flow statement  
for the period ended 31 December 2006**

	<b>Notes</b>	<b>Period ended 31/12/06 £</b>	<b>Year ended 30/09/05 £</b>
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		286,457	211,432
Depreciation		36,828	30,542
Decrease in stocks		65,592	(60,664)
Decrease in debtors		32,354	233,788
(Decrease) in creditors		(268,561)	(279,491)
<b>Net cash inflow from operating activities</b>		<u>152,670</u>	<u>135,607</u>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		152,670	135,607
Returns on investments and servicing of finance	<b>19</b>	(7,774)	(10,762)
Taxation	<b>19</b>	(42,637)	(35,914)
Capital expenditure	<b>19</b>	(5,271)	(11,790)
<b>Increase in cash in the period</b>		<u>96,988</u>	<u>77,141</u>
<b>Reconciliation of net cash flow to movement in net funds (Note 20)</b>			
<b>Increase in cash in the period</b>		96,988	77,141
New finance leases and hire purchase contracts		(4,390)	-
<b>Movement in net funds in the period</b>		<u>92,598</u>	<u>77,141</u>
<b>Net debt at 1 October 2005</b>		<u>(149,351)</u>	<u>(226,492)</u>
<b>Net debt at 31 December 2006</b>		<u>(56,753)</u>	<u>(149,351)</u>

# Leengate Industrial & Welding Supplies (Scotland) Limited

## Notes to the financial statements for the period ended 31 December 2006

### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board

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

Tenants improvements	-	Straight line over 6 years
Plant and machinery	-	20% reducing balance
Fixtures, fittings and equipment	-	25% straight line/15% Reducing Balance
Motor vehicles	-	20% straight line new commercial vehicles/25% reducing balance other vehicles

#### 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

#### 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 period

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

**Notes to the financial statements  
for the period ended 31 December 2006**

**2 Turnover**

	<b>Period ended 31/12/06 £</b>	<b>Year ended 30/09/05 £</b>
<b>Geographical market</b>		
UK	3,535,347	3,367,701
Rest of the World	400,158	89,137
	<u>3,935,505</u>	<u>3,456,838</u>

**3 Operating profit**

	<b>Period ended 31/12/06 £</b>	<b>Year ended 30/09/05 £</b>
Operating profit is stated after charging		
Depreciation and other amounts written off intangible assets	14,713	11,770
Depreciation and other amounts written off tangible assets	19,115	18,772
Loss on disposal of tangible fixed assets	3,000	-
Operating lease rentals		
- Land and buildings	38,879	31,954
- Motor vehicles	12,639	8,813
Auditors' remuneration	4,500	3,500
	<u>          </u>	<u>          </u>

**4 Interest payable and similar charges**

	<b>Period ended 31/12/06 £</b>	<b>Year ended 30/09/05 £</b>
Bank interest	7,217	10,762
Hire purchase interest	557	-
	<u>7,774</u>	<u>10,762</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements  
for the period ended 31 December 2006

5 Employees

	Period ended 31/12/06 Number	Year ended 30/09/05 Number
<b>Number of employees</b>		
The average monthly numbers of employees (including the directors) during the period were		

Management and sales	16	15
----------------------	----	----

	31/12/06 £	30/09/05 £
<b>Employment costs</b>		
Wages and salaries	397,486	292,134
Social security costs	41,021	31,123
Pension costs-other operating charge	11,264	8,612
	<u>449,771</u>	<u>331,869</u>

	Period ended 31/12/06 £	Year ended 30/09/05 £
<b>5 1 Directors' emoluments</b>		
Remuneration and other emoluments	129,822	103,178
Pension contributions	4,669	3,441
	<u>134,491</u>	<u>106,619</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	2	2

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 £11,264 (2005 - £8,612)

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

**Notes to the financial statements  
for the period ended 31 December 2006**

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

	<b>Period ended 31/12/06 £</b>	<b>Year ended 30/09/05 £</b>
<b>Analysis of charge in period</b>		
<b>Current tax</b>		
UK corporation tax	94,133	69,994
Adjustments in respect of previous periods	(60,004)	(26,990)
Amounts payable to fellow group undertakings in respect of tax saved by group relief	60,002	33,524
	<u>94,131</u>	<u>76,528</u>

The corporation tax payable for the year ended 2005 has been reduced by £60,002 because of group relief from fellow group undertakings for which an amount of £60,002 was 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

	<b>2006 £</b>	<b>2005 £</b>
Profit on ordinary activities before taxation	<u>278,683</u>	<u>200,670</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2005 30%)	83,605	60,201
<b>Effects of</b>		
Expenses not deductible for tax purposes	6,332	5,773
Depreciation for period in excess of capital allowances	4,196	4,020
Adjustments to tax charge in respect of previous periods	(2)	6,534
Current tax charge for period	<u>94,131</u>	<u>76,528</u>

Leengate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements  
for the period ended 31 December 2006

8 Intangible fixed assets

	Goodwill £	Total £
<b>Cost</b>		
At 1 October 2005	117,700	117,700
At 31 December 2006	117,700	117,700
<b>Provision for diminution in value</b>		
At 1 October 2005	26,207	26,207
Charge for period	14,713	14,713
At 31 December 2006	40,920	40,920
<b>Net book values</b>		
At 31 December 2006	76,780	76,780
At 30 September 2005	91,493	91,493

9 Tangible fixed assets

	Tenants improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 October 2005	22,600	6,184	48,936	69,166	146,886
Additions	-	-	3,016	19,868	22,884
Disposals	-	-	(11,049)	(35,734)	(46,783)
At 31 December 2006	22,600	6,184	40,903	53,300	122,987
<b>Depreciation</b>					
At 1 October 2005	16,974	3,601	27,320	37,025	84,920
On disposals	-	-	(11,034)	(19,526)	(30,560)
Charge for the period	1,563	646	6,860	10,046	19,115
At 31 December 2006	18,537	4,247	23,146	27,545	73,475
<b>Net book values</b>					
At 31 December 2006	4,063	1,937	17,757	25,755	49,512
At 30 September 2005	5,626	2,583	21,616	32,141	61,966

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

**Notes to the financial statements  
for the period ended 31 December 2006**

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

Asset description	31/12/06		30/09/05	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	<u>7,610</u>	<u>2,030</u>	<u>-</u>	<u>-</u>
<b>10 Stocks</b>			<b>31/12/06</b>	<b>30/09/05</b>
			<b>£</b>	<b>£</b>
Finished goods and goods for resale			<u>294,306</u>	<u>359,898</u>
<b>11 Debtors</b>			<b>31/12/06</b>	<b>30/09/05</b>
			<b>£</b>	<b>£</b>
Trade debtors			837,449	858,687
Amounts owed by group undertakings			4,006	13,222
Other debtors			<u>16,021</u>	<u>17,921</u>
			<u>857,476</u>	<u>889,830</u>
<b>12 Creditors amounts falling due within one year</b>			<b>31/12/06</b>	<b>30/09/05</b>
			<b>£</b>	<b>£</b>
Bank overdraft			52,900	151,138
Net obligations under finance leases and hire purchase contracts			3,252	-
Trade creditors			563,667	575,620
Amounts owed to group undertaking			98,080	292,924
Corporation tax			61,486	69,994
Other taxes and social security costs			39,799	27,510
Other creditors			<u>9,216</u>	<u>23,267</u>
			<u>828,400</u>	<u>1,140,453</u>

Bank overdrafts amounting to £52,900 (2005 £151,138) are secured by a charge over book debts. In addition Leengate Welding Group Limited, the parent company, has given a guarantee limited to £200,000.

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

**Notes to the financial statements  
for the period ended 31 December 2006**

<b>13</b>	<b>Creditors amounts falling due after more than one year</b>	<b>31/12/06</b>	<b>30/09/05</b>
		<b>£</b>	<b>£</b>
	Net obligations under finance leases and hire purchase contracts	<u>1,138</u>	<u>-</u>
<b>14</b>	<b>Share capital</b>	<b>31/12/06</b>	<b>30/09/05</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>15</b>	<b>Reconciliation of movements in shareholders' funds</b>	<b>31/12/06</b>	<b>30/09/05</b>
		<b>£</b>	<b>£</b>
	Profit for the period	184,552	124,142
	Opening shareholders' funds	<u>264,521</u>	<u>140,379</u>
	Closing shareholders' funds	<u>449,073</u>	<u>264,521</u>
<b>16</b>	<b>Financial commitments</b>		

At 31 December 2006 the company had annual commitments under operating leases as follows

	<b>Land and buildings</b>		<b>Other</b>	
	<b>31/12/06</b>	<b>30/09/05</b>	<b>31/12/06</b>	<b>30/09/05</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry date</b>				
Between one and five years	<u>31,000</u>	<u>31,000</u>	<u>10,469</u>	<u>10,909</u>

# Leengate Industrial & Welding Supplies (Scotland) Limited

## Notes to the financial statements for the period ended 31 December 2006

### 17 Related party transactions

The following transactions with related parties occurred during the year

Related parties	Sales	Purchases	Management & Administration charges
Intermediate parent undertaking	£Nil	£Nil	£55,000
(30 September 2005 £Nil)		(2005 £Nil)	(2005 £40,000)
Fellow subsidiary undertakings	£53,882	£299,368	£Nil
(30 September 2005 £64,292)	(2005 £226,375)	(2005 £226,375)	(2005 £Nil)

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

During the year the company sold motor vehicles to fellow subsidiary undertakings at a cost of £5,473

The company had the following balances with related parties

	2006	2005
Amounts owed by intermediate parent undertakings	£Nil	£Nil
Amounts owed by fellow subsidiary undertakings	£4,006	£13,222
Amounts owed to intermediate parent undertakings	£44,052	£83,505
Amounts owed to fellow subsidiary undertakings	£54,028	£209,419

### 18 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 Linde AG, Leopoldstrasse 252, 80807 Munich, Germany

Notes to the financial statements  
for the period ended 31 December 2006

19 Gross cash flows

	31/12/06 £	30/09/05 £
<b>Returns on investments and servicing of finance</b>		
Interest paid	(7,774)	(10,762)
<b>Taxation</b>		
Corporation tax paid	(42,637)	(35,914)
<b>Capital expenditure</b>		
Payments to acquire tangible assets	(18,494)	(11,790)
Receipts from sales of tangible assets	13,223	-
	<u>(5,271)</u>	<u>(11,790)</u>

20 Analysis of changes in net funds

	Opening balance £	Cash flows £	Other changes £	Closing balance £
Cash at bank and in hand	1,787	(1,250)		537
Overdrafts	(151,138)	98,238		(52,900)
	<u>(149,351)</u>	<u>96,988</u>		<u>(52,363)</u>
Finance leases and hire purchase contracts	-	-	(4,390)	(4,390)
<b>Net funds</b>	<u>(149,351)</u>	<u>96,988</u>	<u>(4,390)</u>	<u>(56,753)</u>