

Registration Number 3492467

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Directors' Report and Financial Statements

for the year ended 30 September 2002



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

Leen Gate 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 |
| 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 |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Contents

| | Page |
|-----------------------------------|---------------|
| Directors' report | 1 |
| Auditors' report | 2 |
| Profit and loss account | 3 |
| Balance sheet | 4 |
| Cash flow statement | 5 |
| Notes to the financial statements | 6 - 12 |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Directors' report for the year ended 30 September 2002

The directors present their report and the financial statements for the year ended 30 September 2002.

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 | |
|---------------|-----------------|------|
| | 2002 | 2001 |
| 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.

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 14.7.2003 and signed on its behalf by



R. C. Godley
Secretary

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Independent auditors' report to the shareholders of Leen Gate Industrial & Welding Supplies (Scotland) Limited

We have audited the financial statements of Leen Gate Industrial & Welding Supplies (Scotland) Limited for the year ended 30 September 2002 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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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



7 July 2003

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Profit and loss account
for the year ended 30 September 2002**

| | | Continuing operations | |
|--|--------------|------------------------------|----------------------|
| | | 2002 | 2001 |
| | Notes | £ | £ |
| Turnover | 2 | 1,844,508 | 1,514,816 |
| Cost of sales | | (1,311,006) | (1,130,741) |
| Gross profit | | <u>533,502</u> | <u>384,075</u> |
| Administrative expenses | | (512,936) | (339,021) |
| Operating profit | 3 | <u>20,566</u> | <u>45,054</u> |
| Interest payable and similar charges | 4 | (9,941) | (13,767) |
| Profit on ordinary activities before taxation | | <u>10,625</u> | <u>31,287</u> |
| Tax on profit on ordinary activities | 7 | (7,985) | (12,766) |
| Retained profit for the year | | <u>2,640</u> | <u>18,521</u> |
| Retained profit/(loss) brought forward | | 17,389 | (1,132) |
| Retained profit carried forward | | <u><u>20,029</u></u> | <u><u>17,389</u></u> |

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

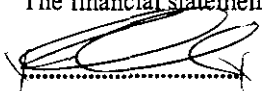
The notes on pages 6 to 12 form an integral part of these financial statements.

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Balance sheet
as at 30 September 2002**

| | | 2002 | | 2001 | |
|---|-------|----------------|---------------|----------------|---------------|
| | Notes | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 8 | | 6,803 | | 7,572 |
| Tangible assets | 9 | | 33,920 | | 40,339 |
| | | | <u>40,723</u> | | <u>47,911</u> |
| Current assets | | | | | |
| Stocks | 10 | 212,122 | | 210,919 | |
| Debtors | 11 | 451,050 | | 595,960 | |
| Cash at bank and in hand | | - | | 1,150 | |
| | | <u>663,172</u> | | <u>808,029</u> | |
| Creditors: amounts falling due within one year | 12 | (682,866) | | (837,551) | |
| Net current liabilities | | | (19,694) | | (29,522) |
| Net assets | | | <u>21,029</u> | | <u>18,389</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 1,000 | | 1,000 |
| Profit and loss account | | | 20,029 | | 17,389 |
| Equity shareholders' funds | 14 | | <u>21,029</u> | | <u>18,389</u> |

The financial statements were approved by the Board on 4.7.2003 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.

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Cash flow statement
for the year ended 30 September 2002**

| | Notes | 2002 £ | 2001 £ |
|--|-------|------------------|------------------|
| Reconciliation of operating profit to net cash inflow from operating activities | | | |
| Operating profit | | 20,566 | 45,054 |
| Depreciation | | 11,452 | 8,136 |
| (Increase) in stocks | | (1,203) | (97,188) |
| Decrease in debtors | | 144,910 | (212,369) |
| (Decrease) in creditors | | (27,524) | 224,147 |
| Net cash inflow from operating activities | | <u>148,201</u> | <u>(32,220)</u> |
| Cash flow statement | | | |
| Net cash inflow from operating activities | | 148,201 | (32,220) |
| Returns on investments and servicing of finance | 18 | (9,941) | (13,767) |
| Taxation | 18 | (12,231) | (9,134) |
| Capital expenditure | 18 | (4,264) | (33,616) |
| | | <u>121,765</u> | <u>(88,737)</u> |
| Financing | 18 | - | (1,821) |
| Increase in cash in the year | | <u>121,765</u> | <u>(90,558)</u> |
| Reconciliation of net cash flow to movement in net funds (Note 19) | | | |
| Increase in cash in the year | | 121,765 | (90,558) |
| Cash inflow from decrease in debts and lease financing | | - | 1,821 |
| Change in net funds resulting from cash flows | | <u>121,765</u> | <u>(88,737)</u> |
| Net debt at 1 October 2001 | | (224,904) | (136,167) |
| Net debt at 30 September 2002 | | <u>(103,139)</u> | <u>(224,904)</u> |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements for the year ended 30 September 2002

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 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

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 and work in progress is valued at the lower of cost and net realisable value.

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

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

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2002**

| | | |
|---|---------------|---------------|
| 3. Operating profit | 2002 | 2001 |
| | £ | £ |
| Operating profit is stated after charging: | | |
| Depreciation and other amounts written off intangible assets | 769 | 128 |
| Depreciation and other amounts written off tangible assets | 10,683 | 8,364 |
| Operating lease rentals | | |
| - Plant and machinery | 16,853 | 13,911 |
| - Land and buildings | 26,655 | 19,594 |
| Auditors' remuneration | 3,000 | 3,188 |
| | <hr/> | <hr/> |
| and after crediting: | | |
| Profit on disposal of tangible fixed assets | - | 356 |
| | <hr/> | <hr/> |
| 4. Interest payable and similar charges | 2002 | 2001 |
| | £ | £ |
| On amounts payable to group companies | - | 2,641 |
| On bank loans and overdrafts | 9,941 | 11,106 |
| Hire purchase interest | - | 20 |
| | <hr/> | <hr/> |
| | 9,941 | 13,767 |
| | <hr/> | <hr/> |
| 5. Employees | | |
| Number of employees | | |
| The average monthly numbers of employees (including the directors) during the year were: | 2002 | 2001 |
| | Number | Number |
| Management and sales | 11 | 8 |
| | <hr/> | <hr/> |
| Employment costs | 2002 | 2001 |
| | £ | £ |
| Wages and salaries | 211,680 | 139,259 |
| Social security costs | 21,395 | 13,935 |
| Other pension costs | 5,506 | 1,098 |
| | <hr/> | <hr/> |
| | 238,581 | 154,292 |
| | <hr/> | <hr/> |
| 5.1. Directors' emoluments | 2002 | 2001 |
| | £ | £ |
| Remuneration and other emoluments | 82,633 | 71,238 |
| Pension contributions | 2,065 | - |
| | <hr/> | <hr/> |
| | 84,698 | 71,238 |
| | <hr/> | <hr/> |
| | Number | Number |
| Number of directors to whom retirement benefits are accruing under a money purchase scheme | 2 | 2 |
| | <hr/> | <hr/> |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2002**

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 £5,506 (2001 - £1,098).

7. Tax on profit on ordinary activities

| Analysis of charge in period | 2002 | 2001 |
|--------------------------------------|--------------|---------------|
| | £ | £ |
| UK corporation tax | 8,144 | 12,390 |
| Prior period adjustments | (159) | 376 |
| Tax on profit on ordinary activities | <u>7,985</u> | <u>12,766</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:

| | | |
|---|---------------|---------------|
| | 2002 | 2001 |
| | £ | £ |
| Profit on ordinary activities before taxation | <u>10,625</u> | <u>31,287</u> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2001 : 30%) | 3,188 | 9,386 |
| Expenses not deductible for tax purposes | 3,698 | 2,933 |
| Capital allowances for period in excess of depreciation | 1,258 | 71 |
| Adjustments to tax charge in respect of previous periods | (159) | 376 |
| Current tax charge for period | <u>7,985</u> | <u>12,766</u> |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2002**

8. Intangible fixed assets

| | Goodwill | Total |
|--|-----------------|--------------|
| | £ | £ |
| Cost | | |
| At 1 October 2001 | | |
| At 30 September 2002 | 7,700 | 7,700 |
| Provision for diminution in value | | |
| At 1 October 2001 | 128 | 128 |
| Charge for year | 769 | 769 |
| At 30 September 2002 | 897 | 897 |
| Net book values | | |
| At 30 September 2002 | 6,803 | 6,803 |
| At 30 September 2001 | 7,572 | 7,572 |

9. Tangible fixed assets

| | Tenants improvements | Plant and machinery | Fixtures, fittings and equipment | Motor vehicles | Total |
|------------------------|---------------------------------|--------------------------------|---|---------------------------|--------------|
| | £ | £ | £ | £ | £ |
| Cost | | | | | |
| At 1 October 2001 | 15,100 | 4,500 | 23,403 | 27,152 | 70,155 |
| Additions | - | - | 4,264 | - | 4,264 |
| At 30 September 2002 | 15,100 | 4,500 | 27,667 | 27,152 | 74,419 |
| Depreciation | | | | | |
| At 1 October 2001 | 9,238 | 900 | 8,548 | 11,130 | 29,816 |
| Charge for the year | 2,520 | 720 | 3,437 | 4,006 | 10,683 |
| At 30 September 2002 | 11,758 | 1,620 | 11,985 | 15,136 | 40,499 |
| Net book values | | | | | |
| At 30 September 2002 | 3,342 | 2,880 | 15,682 | 12,016 | 33,920 |
| At 30 September 2001 | 5,862 | 3,600 | 14,855 | 16,022 | 40,339 |

10. Stocks

| | 2002 | 2001 |
|-------------------------------------|-------------|-------------|
| | £ | £ |
| Finished goods and goods for resale | 212,122 | 210,919 |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2002**

| | | |
|--|----------------|----------------|
| 11. Debtors | 2002 | 2001 |
| | £ | £ |
| Trade debtors | 421,295 | 556,480 |
| Amounts owed by group undertakings | 6,929 | 30,714 |
| Other debtors | 22,826 | 8,766 |
| | <u>451,050</u> | <u>595,960</u> |
| 12. Creditors: amounts falling due within one year | 2002 | 2001 |
| | £ | £ |
| Bank overdraft | 103,139 | 226,054 |
| Trade creditors | 375,856 | 342,802 |
| Amounts owed to group undertaking | 168,564 | 140,416 |
| Corporation tax | 8,144 | 12,390 |
| Other taxes and social security costs | 6,361 | 15,580 |
| Other creditors | 20,802 | 100,309 |
| | <u>682,866</u> | <u>837,551</u> |
| Bank overdrafts amounting to £103,139 (2001 £226,054) are secured by a charge over book debts. | | |
| 13. Share capital | 2002 | 2001 |
| | £ | £ |
| Authorised equity | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| Allotted, called up and fully paid equity | | |
| 1,000 Ordinary shares of £1 each | <u>1,000</u> | <u>1,000</u> |
| 14. Reconciliation of movements in shareholders' funds | 2002 | 2001 |
| | £ | £ |
| Profit for the year | 2,640 | 18,521 |
| Opening shareholders' funds | 18,389 | (132) |
| Closing shareholders' funds | <u>21,029</u> | <u>18,389</u> |

Leen Gate Industrial & Welding Supplies (Scotland) Limited

Notes to the financial statements for the year ended 30 September 2002

15. Financial commitments

At 30 September 2002 the company had annual commitments under operating leases as follows:

| | Land and buildings | | Other | |
|----------------------------|---------------------------|-------------|--------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Expiry date: | | | | |
| Between one and five years | 27,300 | 15,680 | - | 12,000 |

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 | £Nil | £37,000 |
| Fellow subsidiary undertakings | £37,841 | £86,402 | £Nil |

All purchase and sales of goods to group companies are at cost

At 30th September 2002 there were the following balances with related parties:

| | |
|---|----------|
| Amounts owed by fellow subsidiary undertakings | £6,929 |
| Amounts owed to intermediate parent undertaking | £136,176 |
| Amounts owed to fellow subsidiary undertakings | £32,388 |

17. Ultimate parent undertaking

The company is a 75% subsidiary of Leen Gate 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.

Leen Gate Industrial & Welding Supplies (Scotland) Limited

**Notes to the financial statements
for the year ended 30 September 2002**

18. Gross cash flows

| | 2002 | 2001 |
|--|----------------|-----------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Interest paid | (9,941) | (13,767) |
| Taxation | | |
| Corporation tax paid | (12,231) | (9,134) |
| Capital expenditure | | |
| Payments to acquire intangible assets | - | (7,700) |
| Payments to acquire tangible assets | (4,264) | (28,737) |
| Receipts from sales of tangible assets | - | 1,000 |
| | <u>(4,264)</u> | <u>(35,437)</u> |

19. Analysis of changes in net funds

| | Opening balance | Cash flows | Closing balance |
|--------------------------|----------------------------|-----------------------|----------------------------|
| | £ | £ | £ |
| Cash at bank and in hand | 1,150 | (1,150) | - |
| Overdrafts | (226,054) | 122,915 | (103,139) |
| | <u>(224,904)</u> | <u>121,765</u> | <u>(103,139)</u> |
| Net funds | <u>(224,904)</u> | <u>121,765</u> | <u>(103,139)</u> |