

Messer Griesheim Limited
Annual report
for the year ended 31 December 2000

Registered Number 656079



Messer Griesheim Limited

Annual report

for the year ended 31 December 2000

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Messer Griesheim Limited

Directors and Advisors for the year ended 31 December 2000

Executive directors

David Coulson

Non-executive director

T-C Bechtel (appointed 20 March 2000)

Dr B E Frey

K H Langner (resigned 20 March 2000)

G H Dorkom (resigned 12 January 2000)

Secretary and registered office

David Coulson

Atley Way

North Nelson Industrial Estate

Cramlington

Northumberland

NE23 1LL

Registered auditors

PricewaterhouseCoopers

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

Bankers

HSBC Bank plc

20 Astley Road

Seaton Deleval

Northumberland

NE25 0DG

Solicitors

Dickinson Dees

St Ann's Wharf

112 Quayside

Newcastle upon Tyne

NE99 1SB

Messer Griesheim Limited

Directors' report for the year ended 31 December 2000

The directors present their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the company are unchanged from last year, and are the manufacture, sale, distribution and maintenance of welding and cutting equipment.

Review of business

The profit and loss account for the year is set out on page 5.

The directors consider that the development of the company's business during the year and its financial position at the year end were satisfactory and expect that the present level of activity will be sustained for the foreseeable future.

During the year a decision was taken to restructure the activities of the company and transfer the welding business to another group company. The proposed transfer will take place in the next accounting period. As part of this restructuring a provision of £136,922 (see note 14) has been set up to cover the costs of redundancies and sundry other costs associated with the transfer.

Dividends

The directors do not recommend the payment of a dividend (1999: £Nil).

Directors

The directors of the company at 31 December 2000, all of whom have been directors for the whole of the year ended on that date, unless otherwise stated, are:

D Coulson	
T-C Bechtel	(appointed 20 March 2000)
Dr B E Frey	
G H Dorkom	(resigned 12 January 2000)
K H Langner	(resigned 20 March 2000)

Directors' interests

No director had any interest in the shares of the company or its parent company at any time during the year.

Donations to charities

During the year the company made donations of £Nil (1999: £335).

Messer Griesheim Limited

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers will be proposed at the annual general meeting.

By order of the board



D Coulson

Secretary

22 February 2001

Messer Griesheim Limited

Auditors' report to the members of Messer Griesheim Limited

We have audited the financial statements on pages 5 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 3, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

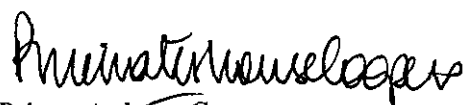
Basis of audit opinion

We conducted our audit in accordance with 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 at 31 December 2000 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

22 February 2001

Messer Griesheim Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Turnover	1	6,360,631	7,232,438
Cost of sales		(5,288,679)	(5,243,275)
Gross profit		1,071,952	1,989,163
Net operating expenses	2	(1,460,995)	(1,589,159)
Operating (loss)/profit		(389,043)	400,004
Interest receivable and similar income		12,880	21,667
Interest payable and similar charges	5	(14,481)	(62,251)
(Loss)/profit on ordinary activities before taxation	6	(390,644)	359,420
Taxation on (loss)/profit on ordinary activities	7	105,324	30,660
Retained (loss)/profit for the year	17	(285,320)	390,080

All of the company's activities are continuing.

The company has no recognised gains and losses other than those included in the profits above, and therefore no separate statement of total recognised gains and losses has been presented.


There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

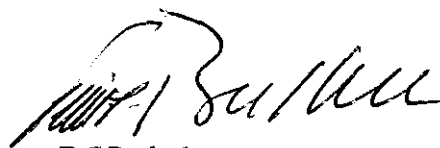
Messer Griesheim Limited

Balance sheet as at 31 December 2000

	Note	2000 £	1999 £
Fixed assets			
Tangible assets	8	752,395	832,379
Investments	9	4	4
		752,399	832,383
Current assets			
Stock	10	770,207	1,424,828
Debtors	11	2,457,405	2,255,703
Cash at bank and in hand		288,728	332,635
		3,516,340	4,013,166
Creditors: amounts falling due within one year	12	✓ (1,634,881)	(2,010,238)
Net current assets		1,881,459	2,002,928
Total assets less current liabilities		2,633,858	2,835,311
Creditors : amounts falling due after more than one year	13	(7,419)	(7,933)
Provisions for liabilities and charges	14	✓ (136,922)	(52,541)
		(144,341)	(60,474)
Net assets		2,489,517	2,774,837
Capital and reserves			
Called up share capital	15	400,000	400,000
Profit and loss account	16	2,089,517	2,374,837
Equity shareholders' funds	17	2,489,517	2,774,837

The financial statements on pages 5 to 19 were approved by the board of directors on 22 February 2001 and were signed on its behalf by:


D Coulson
Director


T-C Bechtel
Director

Messer Griesheim Limited

Cash flow statement for the year ended 31 December 2000

	Note	2000 £	1999 £
Net cash inflow from operating activities	21	154,327	1,081,443
Returns on investment and servicing of finance			
Interest received		12,880	21,667
Interest paid		(9,691)	(50,374)
Interest paid on finance leases		(5,091)	(13,802)
Net cash flow from returns on investment and servicing of finance		(1,902)	(42,509)
Taxation			
UK corporation tax paid		(111,102)	(56,990)
Capital expenditure			
Purchase of tangible fixed assets		(40,440)	(50,733)
Sale of tangible fixed assets		28,699	39,040
Net cash outflow from capital expenditure		(11,741)	(11,693)
Net cash inflow before financing		29,582	970,251
Financing			
Repayment of principal under finance leases		(73,489)	(153,846)
Repayment of long term loan		-	(500,000)
Net cash outflow from financing		(73,489)	(653,846)
(Decrease)/increase in cash in the year	22	(43,907)	316,405

Reconciliation of net cash flow to movement in net debt

	2000	1999	
	£	£	
(Decrease)/increase in cash in the year	(43,907)	316,405	
Cash outflow from finance leases	73,489	153,846	
Cash outflow from long term loans	-	500,000	
Change in net debt resulting from cash flows	29,582	970,251	
New finance leases	(64,277)	(71,109)	
Movement in net debt in the year	(34,695)	899,162	
Opening net debt	278,118	(621,024)	
Closing net debt	22	243,423	278,118

Messer Griesheim Limited

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Tangible fixed assets

The cost of fixed assets is their purchase price, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Plant and machinery	10
Motor vehicles	25
Fixtures and fittings	10 - 25

Long leasehold land and buildings are amortised over the lesser of 50 years or the period of the lease.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Leasing agreements which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the useful lives of equivalent owned assets.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when they become receivable.

Stocks and work in progress

Stocks and work in progress are valued at the lower of the cost of goods purchased and net realisable value. Net realisable value is based upon estimated selling prices in the normal course of business after allowing for disposal costs.

Messer Griesheim Limited

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the rate ruling at the date of the transaction except where the rate of exchange is fixed by a relevant matching forward contract. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date or at rates specified in matching forward contracts. All exchange differences are taken to the profit and loss account in the year in which they arise.

Deferred taxation

Provision is made for deferred tax using the liability method in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company operates a defined benefit scheme which is contracted out of the state scheme. The fund is valued every three years by a professionally qualified actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Messer Griesheim Limited

Notes to the financial statements for the year ended 31 December 2000

1 Turnover

	2000	1999
	£	£
By geographical destination		
United Kingdom	5,848,284	6,462,992
Rest of Europe	464,517	763,826
Rest of the World	47,830	5,620
	6,360,631	7,232,438

All turnover originated from within the United Kingdom.

2 Net operating expenses

	2000	1999
	£	£
Selling and distribution costs	728,491	951,101
Administration expenses	595,582	638,058
Exceptional restructuring costs (see note 6)	136,922	-
	1,460,995	1,589,159

3 Directors' emoluments

The remuneration paid to the directors of Messer Griesheim Limited was:

	2000	1999
	£	£
Aggregate emoluments (including benefits in kind)	78,285	162,800

The company contributes to a defined benefit pension scheme on behalf of 1 director.

Messer Griesheim Limited

4 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	2000 Number	1999 Number
By function:		
Selling and distribution	42	44
Administration	6	6
Management	2	2
	50	52

	2000 £	1999 £
Staff costs (for the above persons):		
Wages and salaries	943,346	1,077,328
Social security costs	73,490	93,453
Other pension costs (note 20)	117,747	137,180
	1,134,583	1,307,961

5 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	9,390	48,449
On finance leases	5,091	13,802
	14,481	62,251

Messer Griesheim Limited

6 (Loss)/profit on ordinary activities before taxation

	2000 £	1999 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	156,127	162,841
Tangible fixed assets held under finance leases	1,035	5,204
Amortisation of government grants	-	(4,000)
Profit on disposal of tangible fixed assets	(1,160)	(9,496)
Hire of plant and machinery	6,214	8,469
Foreign exchange gains	(16,372)	(15,077)
Exceptional restructuring costs (see below)	136,922	-
Auditors' remuneration:		
Audit	15,250	15,250
Other services	6,205	4,400

During the year a decision was taken to restructure the activities of the company and transfer the welding business to another group company. The proposed transfer will take place in the next accounting period. As part of this restructuring a provision of £136,922 (see note 14) has been set up to cover the costs of redundancies and sundry other costs associated with the transfer.

7 Taxation on (loss)/profit on ordinary activities

	2000 £	1999 £
United Kingdom corporation tax at 30.0% (1999: 31.25%):		
Current	(47,105)	108,500
Deferred	(51,608)	(628)
Over provision in respect of prior years:		
Current	(5,678)	(136,570)
Deferred	(933)	(1,962)
	(105,324)	(30,660)

Messer Griesheim Limited

8 Tangible fixed assets

	Long leasehold land and buildings	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£
Cost					
At 1 January 2000	728,422	134,397	434,435	324,016	1,621,270
Additions	6,832	264	76,777	20,844	104,717
Disposals	-	-	(110,112)	(69,022)	(179,134)
At 31 December 2000	735,254	134,661	401,100	275,838	1,546,853
Depreciation					
At 1 January 2000	183,440	114,092	234,259	257,100	788,891
Charge for the year	14,717	3,614	103,838	34,993	157,162
Eliminated in respect of disposals	-	-	(82,607)	(68,988)	(151,595)
At 31 December 2000	198,157	117,706	255,490	223,105	794,458
Net book value					
At 31 December 2000	537,097	16,955	145,610	52,733	752,395
At 31 December 1999	544,982	20,305	200,176	66,916	832,379

The net book value of the company's fixed assets includes £75,684 (1999: £92,167) in respect of assets held under finance leases.

Messer Griesheim Limited

9 Fixed asset investments

	Interests in subsidiary undertakings £
Cost and net book value	
At 1 January 2000 and 31 December 2000	4

The investments above represent the total issued share capital of Industrial Equipment Import and Export Company Limited and Ibeda Limited companies registered in England and Wales.

The principal business activities of these subsidiary undertakings are:

- (1) Industrial Equipment Import and Export Company Limited
 - sale and distribution of welding and cutting equipment
- (2) Ibeda Limited
 - dormant

The financial statements contain information about Messer Griesheim Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 228(1) of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of Messer Cutting & Welding GmbH, a company registered in Germany.

10 Stocks

	2000 £	1999 £
Finished goods and goods for resale	770,207	1,424,828

Messer Griesheim Limited

11 Debtors

	2000	1999
	£	£
Amounts falling due within one year		
Trade debtors	1,882,991	2,205,134
Amounts owed by group companies	466,962	40,667
Corporation tax recoverable	98,945	-
Prepayments and accrued income	8,507	9,902
	2,457,405	2,255,703

12 Creditors: amounts falling due within one year

	2000	1999
	£	£
Obligations under finance leases	37,886	46,584
Payments received on account	9,381	18,525
Trade creditors	775,959	704,869
Amounts owed to group companies	379,267	749,360
Corporation tax payable	-	64,940
Other taxation and social security payable	101,338	159,419
Other creditors	98,250	68,550
Accruals and deferred income	232,800	197,991
	1,634,881	2,010,238

Messer Griesheim Limited

13 Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Obligations under finance leases	7,419	7,933

The future minimum lease payments to which the company is committed under finance leases as follows:

	2000	1999
	£	£
In one year or less	37,886	46,584
Between one and two years	7,419	7,933
	45,305	54,517

14 Provisions for liabilities and charges

	Restructuring provision (see note 6)	Deferred taxation
	£	£
At 1 January 2000	-	52,541
Profit and loss account	136,922	(52,541)
At 31 December 2000	136,922	-

Deferred taxation provided in the financial statements, which is also the total potential liability, is as follows:

	Amount provided		Amount unprovided	
	2000	1999	2000	1999
	£	£	£	£
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	-	53,141	-	-
Other	-	(600)	(2,294)	-
	-	52,541	(2,294)	-

Messer Griesheim Limited

15 Called up share capital

	2000	1999
	£	£
Authorised, allotted, called up and fully paid		
400,000 (1999: 400,000) ordinary shares of £1 each	400,000	400,000

16 Profit and loss account

	£
At 1 January 2000	2,374,837
Loss for the financial year	(285,320)
At 31 December 2000	2,089,517

17 Reconciliation of movements in equity shareholders' funds

	2000	1999
	£	£
(Loss)/profit for the financial year	(285,320)	390,080
Opening equity shareholders' funds	2,774,837	2,384,757
Closing equity shareholders' funds	2,489,517	2,774,837

18 Capital commitments

Capital expenditure that has been contracted for but which has not been provided for in the financial statement at 31 December 2000 amounted to £Nil (1999: £32,964).

19 Contingent liabilities

At 31 December 2000 the company has outstanding forward exchange contracts to hedge purchase transactions to the value of £630,000 (1999: £995,000).

At 31 December 2000 the company has given guarantees, in respect of bank loans held by other group companies, this is limited to the market value of its land and buildings.

Messer Griesheim Limited

20 Pension commitments

The company operates a defined benefit pension scheme whose assets are held in a separate trustee administered fund.

The total pension cost for the company was £117,747 (1999: £137,180). The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit funding method. The latest actuarial valuation of the scheme was at 1 January 1999. The assumptions which had the most significant effect on the results of the valuation were as follows:

Rate of return on investments	6.25% per annum
Rate of increase in earnings	3.0% per annum
Rate of increase in present and future pensions	2.25% per annum
Rate of growth in equity dividends	3.5% per annum

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,231,918 and that the actuarial value of these assets represented 108% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This surplus is being amortised over the expected average remaining service lives of members.

21 Reconciliation of operating profit to net cash inflow from operating activities

	2000 £	1999 £
Continuing operations:		
Operating (loss)/profit	(389,043)	400,004
Depreciation on tangible fixed assets	157,162	168,045
Profit on disposal of tangible fixed assets	(1,160)	(9,496)
Amortisation of government grants	-	(4,000)
Decrease in stocks	654,621	376,042
(Increase)/decrease in debtors	(102,757)	584,479
(Decrease)/increase in creditors	(164,496)	(433,631)
Net cash inflow from operating activities	154,327	1,081,443

Messer Griesheim Limited

22 Analysis of net debt

	1 January 2000 £	Cash flows £	31 December 2000 £
Net cash			
Cash at bank and in hand	332,635	(43,907)	288,728
Net debt			
Finance leases	(54,517)	9,212	(45,305)
Total	278,118	(34,695)	243,423

23 Related party transactions

The company has taken advantage of the exemption under FRS 8 'Related Party Disclosures' not to disclose details of intra-group transactions. There are no other transactions which fall to be disclosed under the terms of FRS 8.

24 Ultimate and immediate parent companies

The company is a wholly owned subsidiary of its immediate parent company Messer Cutting & Welding GmbH, a company incorporated in Germany.

The ultimate parent company during 2000 was The Carlyle Group, which is also incorporated in Germany.

Copies of Messer Cutting & Welding GmbH financial statements may be obtained from:

The Secretary
7th Floor
Frankfurt Airport Centre 1, C7
D-60547
Frankfurt
Germany

Copies of The Carlyle Group financial statements may be obtained from:

The Carlyle Group
Industriebeteiligungs GmbH
Residenzstr.18
D - 80333
Munich
Germany

Trading and profit and loss account for the year ended 31 December 2000

	Schedule	2000 £	2000 £	1999 £	1999 £
Sales and commissions			6,360,631		7,232,438
Less: Prime cost of sales	1		(5,288,679)		(5,243,275)
Gross profit			1,071,952		1,989,163
Less: Expenses					
Distribution		130,707		125,892	
Administration	2	585,575		625,373	
Selling	3	597,784		825,209	
Financial and professional	4	11,608		53,269	
Exceptional restructuring costs			136,922		-
			(1,462,596)		(1,629,743)
Profit before taxation			(390,644)		359,420