

Leengate Welding Group Limited
Directors' Report and Financial Statements
for the year ended 30 September 2003

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



Leengate Welding Group Limited

Company information

Directors	R. C. Godley K. O'Brien C. Haden A. Robinson R. J. N Gearing P. J. Chapman R. Walker	appointed 11.11.02
Secretary	R. C. Godley & P. J. Chapman	
Company number	1538873	
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 Welding Group Limited

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Leengate Welding Group 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 the management and administration of its subsidiary companies.

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	-	-
K. O'Brien	-	-
C. Haden	-	-
A. Robinson	-	-
R. J. N Gearing appointed 11.11.02	-	-
P. J. Chapman	-	-
R. Walker	-	-

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:

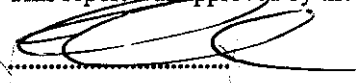
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the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

Independent auditors' report to the shareholders of Leengate Welding Group Limited

We have audited the financial statements of Leengate Welding Group Limited for the year ended 30 September 2003 set out on pages 3 to 16. 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 2003 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

9 July 2004

Leengate Welding Group Limited

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

		Continuing operations	
		2003	2002
	Notes	£	£
Administrative expenses		(582,588)	(530,333)
Other operating income		623,312	884,154
Operating profit	2	<u>40,724</u>	<u>353,821</u>
Investment income	3	241,680	288,504
Other interest receivable and similar income	4	128,889	138,923
Interest payable and similar charges	5	<u>(337,769)</u>	<u>(330,019)</u>
Profit on ordinary activities before taxation		<u>73,524</u>	<u>451,229</u>
Tax on profit on ordinary activities	8	<u>(274)</u>	<u>(35,433)</u>
Profit on ordinary activities after taxation		<u>73,250</u>	<u>415,796</u>
Retained profit for the year		<u>73,250</u>	<u>415,796</u>
Retained profit brought forward		2,292,056	1,876,260
Retained profit carried forward		<u><u>2,365,306</u></u>	<u><u>2,292,056</u></u>

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

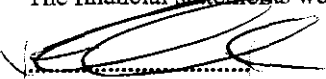
The notes on pages 6 to 16 form an integral part of these financial statements.

Leengate Welding Group Limited

Balance sheet
as at 30 September 2003

		2003		2002	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	9		417,406		282,704
Investments	10		625,673		569,573
			<u>1,043,079</u>		<u>852,277</u>
Current assets					
Stocks	11	5,305		-	
Debtors	12	7,396,466		7,076,340	
Cash at bank and in hand		1,670,016		2,014,020	
		<u>9,071,787</u>		<u>9,090,360</u>	
Creditors: amounts falling due within one year	13	(2,033,880)		(1,936,182)	
Net current assets			<u>7,037,907</u>		<u>7,154,178</u>
Total assets less current liabilities			8,080,986		8,006,455
Creditors: amounts falling due after more than one year	14		(5,690,432)		(5,689,151)
Net assets			<u>2,390,554</u>		<u>2,317,304</u>
Capital and reserves					
Called up share capital	15		10,250		10,250
Share premium account	16		14,998		14,998
Profit and loss account	16		2,365,306		2,292,056
Equity shareholders' funds	17		<u>2,390,554</u>		<u>2,317,304</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 16 form an integral part of these financial statements.

Leengate Welding Group Limited

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

	Notes	2003 £	2002 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		40,724	353,821
Depreciation		42,324	40,534
(Increase) in stocks		(5,305)	-
(Increase) in debtors		(320,126)	(653,563)
Increase in creditors		345,783	697,370
Net cash inflow from operating activities		<u>103,400</u>	<u>438,162</u>
Cash flow statement			
Net cash inflow from operating activities		103,400	438,162
Returns on investments and servicing of finance	22	32,800	97,408
Taxation	22	2,159	(24,648)
Capital expenditure	22	(166,595)	(21,931)
Acquisitions and disposals	22	(56,100)	(266,500)
		<u>(84,336)</u>	<u>222,491</u>
Financing	22	(8,445)	(7,084)
Decrease in cash in the year		<u>(92,781)</u>	<u>215,407</u>
Reconciliation of net cash flow to movement in net debt (Note 23)			
Decrease in cash in the year		(92,781)	215,407
Cash outflow from increase in debts and lease financing		8,445	7,084
		<u>(84,336)</u>	<u>222,491</u>
Change in net debt resulting from cash flows		(84,336)	222,491
New finance leases and hire purchase contracts		(10,431)	(15,000)
		<u>(94,767)</u>	<u>207,491</u>
Movement in net debt in the year		(94,767)	207,491
Net funds at 1 October 2002		1,749,549	1,542,058
Net funds at 30 September 2003		<u>1,654,782</u>	<u>1,749,549</u>

Leengate Welding Group 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. 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:

Freehold land and buildings	-	2% on cost
Tenants improvements	-	10% straight line
Fixtures, fittings and equipment	-	15% reducing balance
Computer equipment	-	25% straight line
Motor vehicles	-	25% reducing balance

1.3. 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.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.4. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5. 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.

1.6. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

Leengate Welding Group Limited

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

2. Operating profit	2003	2002
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off leased assets	9,427	7,145
Depreciation and other amounts written off tangible assets	31,415	27,390
Loss on disposal of tangible fixed assets	1,482	5,999
Operating lease rentals		
- Land and buildings	9,900	9,900
- Motor vehicles	1,330	7,452
Auditors' remuneration	3,200	3,000
Exceptional item - settlement of bank overdraft of subsidiary	42,311	-
Exceptional item - BOC share plan	-	10,769
	<u> </u>	<u> </u>
3. Income from investments	2003	2002
	£	£
Income from subsidiary undertakings	241,680	288,504
	<u> </u>	<u> </u>
4. Interest receivable and similar income	2003	2002
	£	£
Bank interest	128,889	138,923
	<u> </u>	<u> </u>
5. Interest payable and similar charges	2003	2002
	£	£
On amounts payable to group companies	333,759	317,143
On bank loans and overdrafts	1,818	11,835
Hire purchase interest	2,192	1,041
	<u>337,769</u>	<u>330,019</u>

Leengate Welding Group Limited

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

6. Employees

Number of employees	2003	2002
The average monthly numbers of employees (including the directors) during the year were:	Number	Number
Management	10	8

Employment costs	2003	2002
	£	£
Wages and salaries	299,203	247,136
Social security costs	34,659	30,952
Other pension costs	14,523	10,657
	<u>348,385</u>	<u>288,745</u>

6.1. Directors' emoluments

	2003	2002
	£	£
Remuneration and other emoluments	177,766	163,573
Pension contributions	8,787	5,017
	<u>186,553</u>	<u>168,590</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>3</u>	<u>3</u>

7. 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 £14,523 (2002 - £10,657).

Leengate Welding Group Limited

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

8. Tax on profit on ordinary activities

Analysis of charge in period	2003	2002
	£	£
Current tax		
UK corporation tax	-	29,773
Under provision in previous year	274	5,660
	<u>274</u>	<u>35,433</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:

	2003	2002
	£	£
Profit on ordinary activities before taxation	<u>73,524</u>	<u>451,229</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2002 : 30%)	22,057	135,369
Effects of:		
Expenses not deductible for tax purposes	14,375	2,833
Capital allowances for period in excess of depreciation	2,742	1,568
Utilisation of tax losses	(39,174)	(109,997)
Under provision in previous year	274	5,660
Current tax charge for period	<u>274</u>	<u>35,433</u>

Leengate Welding Group Limited

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

9. Tangible fixed assets	Land and buildings freehold £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 October 2002	246,734	66,016	82,527	395,277
Additions	114,950	8,698	57,878	181,526
Disposals	-	-	(14,180)	(14,180)
At 30 September 2003	361,684	74,714	126,225	562,623
Depreciation				
At 1 October 2002	37,639	39,400	35,534	112,573
Charge for the year	7,878	9,990	22,974	40,842
On disposals	-	-	(8,198)	(8,198)
At 30 September 2003	45,517	49,390	50,310	145,217
Net book values				
At 30 September 2003	316,167	25,324	75,915	417,406
At 30 September 2002	209,095	26,616	46,993	282,704
Analysis of net book value of land and buildings:			2003	2002
			£	£
Freehold			291,950	184,000
Tenant's improvement to property			24,217	25,095
			316,167	209,095

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

Asset description	2003		2002	
	Net book value £	Depreciation charge £	Net book value £	Depreciation charge £
Motor vehicles	28,280	9,427	21,436	7,145

Leengate Welding Group Limited

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

10. Fixed asset investments	Subsidiary undertakings shares £	Total £
Cost		
At 1 October 2002	569,573	569,573
Additions	56,100	56,100
At 30 September 2003	<u>625,673</u>	<u>625,673</u>
Net book values		
At 30 September 2003	<u>625,673</u>	<u>625,673</u>
At 30 September 2002	<u>569,573</u>	<u>569,573</u>

Leengate Welding Group Limited

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

10.1. Subsidiary Undertakings

Company and principal activity	Shares held Class	Shares held No. % age
Retail of welding equipment and materials		
Leengate Industrial & Welding Supplies (North East) Ltd	Ordinary £1	750 75
Industrial & Welding Managment Ltd	Ordinary £1	1,000 100
Leengate Industrial & Welding Supplies (Lincoln) Ltd	Ordinary £1	9,000 90
Leengate Industrial & Welding Supplies Ltd	Ordinary £1	8,000 80
Rock Industrial & Welding Supplies Ltd	Ordinary £1	7,470 75
Pennine Industrial & Welding Supplies Ltd	Ordinary £1	9,375 93.75
Cotswold Industrial & Welding Supplies Ltd	Ordinary £1	1 100
Welding Wires (Midlands) Ltd	Ordinary £1	800 80
Leengate Industrial & Welding Supplies (Nottingham) Ltd	Ordinary £1	32,000 80
Future Industrial & Welding Supplies Ltd	Ordinary £1	200 100
Welder Equipment Hire Ltd (Dormant)	Ordinary £1	2 100
Proportioncharm Ltd (Dormant)	Ordinary £1	1 100
Leengate Welding Services Ltd (Dormant)	Ordinary £1	2 100
Leengate Industrial and Welding Supplies (Scotland) Ltd	Ordinary £1	750 75
Seabrook Industrial & Welding Supplies Ltd	Ordinary £1	1,000 100
W & G Welding Supplies Ltd	Ordinary £1	80 80
Leengate Industrial & Welding Supplies (Strathclyde) Ltd	Ordinary £1	2 100
3 Shires (Cutting & Welding Automated) Ltd	Ordinary £1	1 100
Wessex Industrial & Welding Supplies Ltd	Ordinary £1	1 100
Industrial & Welding Supplies (North West) Ltd	Ordinary £1	2 100
Sharp Times Ltd	Ordinary £1	900 95
Islebrood Ltd (Dormant)	Ordinary £1	100 100
Subsidiary of Sharp Times Ltd		
Express Industrial & Welding Supplies Ltd	Ordinary £1	18,000 95
Hire, purchase and sale of welding equipment		
Leen Gate Hire Ltd	Ordinary £1	10,010 100
3 Shires Cutting & Welding Supplies Ltd	Ordinary £1	9,000 90
Service of welding equipment		
Welder Equipment Services Ltd	Ordinary £1	7,500 75
Gas and pipeline products		
Gas Instrument Services Ltd	Ordinary £1	8,425 84.25
Gaffney Industrial & Welding Supplies Ltd	Ordinary £1	80 80

11. Stocks

	2003 £	2002 £
Computer consumables	<u>5,305</u>	<u>-</u>

Leengate Welding Group Limited

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

12. Debtors	2003	2002
	£	£
Trade debtors	3,000	2,866
Amounts owed by group undertakings	7,296,885	6,744,152
Other debtors	96,581	329,322
	<u>7,396,466</u>	<u>7,076,340</u>
Amounts owed by group undertaking	<u>4,153,097</u>	<u>4,002,245</u>
13. Creditors: amounts falling due within one year	2003	2002
	£	£
Bank overdraft	-	251,223
Net obligations under finance leases and hire purchase contracts	9,960	9,255
Trade creditors	64,825	155,103
Amounts owed to group undertaking	1,892,113	1,404,681
Corporation tax	1,055	(1,104)
Other taxes and social security costs	31,940	64,977
Other creditors	33,987	52,047
	<u>2,033,880</u>	<u>1,936,182</u>
14. Creditors: amounts falling due after more than one year	2003	2002
	£	£
Amounts owed to group undertakings	5,685,158	5,685,158
Net obligations under finance leases and hire purchase contracts	5,274	3,993
	<u>5,690,432</u>	<u>5,689,151</u>
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	9,960	9,255
Repayable between one and five years	5,274	3,993
	<u>15,234</u>	<u>13,248</u>

Leengate Welding Group Limited

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

15. Share capital		2003	2002
		£	£
Authorised			
20,000 Ordinary shares of £1 each		20,000	20,000
		<u> </u>	<u> </u>
Allotted, called up and fully paid			
10,250 Ordinary shares of £1 each		10,250	10,250
		<u> </u>	<u> </u>
16. Equity Reserves	Share premium account	Profit and loss account	Total
	£	£	£
At 1 October 2002	14,998	2,292,056	2,307,054
Retained profit for the year		73,250	73,250
	<u> </u>	<u> </u>	<u> </u>
At 30 September 2003	14,998	2,365,306	2,380,304
	<u> </u>	<u> </u>	<u> </u>
17. Reconciliation of movements in shareholders' funds		2003	2002
		£	£
Profit for the year		73,250	415,796
Opening shareholders' funds		2,317,304	1,901,508
		<u> </u>	<u> </u>
Closing shareholders' funds		2,390,554	2,317,304
		<u> </u>	<u> </u>
18. Financial commitments			
At 30 September 2003 the company had annual commitments under operating leases as follows:			
		Land and buildings	
		2003	2002
		£	£
Expiry date:			
In over five years		9,900	9,900
		<u> </u>	<u> </u>

Leengate Welding Group Limited
Notes to the financial statements
for the year ended 30 September 2003

19. Contingent liabilities

The company has given National Westminster Bank plc guarantees to secure monies owed by certain subsidiary undertakings. At 30th September 2003 the company has a contingent liability in respect of guarantees of £2,136,611 (2002 £2,101,949).

After the year end the company altered its banking arrangements and from November 2003 guarantees all subsidiary undertaking overdrafts.

The company has a contingent liability in respect of agreements entered into by certain subsidiary undertakings with the minority shareholders of those undertakings, whereby upon the death, retirement or termination of employment of those minority shareholders, the subsidiary or its parent company (Leen Gate Welding Group Limited) shall repurchase the shares at a price determined by the subsidiaries Articles of Association.

20. Related party transactions

The following transactions with related parties occurred during the year.

Management and administration charges of £518,733 have been charged to subsidiary undertakings.

The company rents its freehold property to a subsidiary undertaking. Rent receivable for the year amounted to £16,000.

The company was charged interest on group borrowings of £333,759.

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

Amounts due from subsidiary undertaking	£7,289,694
Amounts due from fellow subsidiary undertakings	£7,191
Amounts due to subsidiary undertakings	£524,036
Amounts due to fellow subsidiary undertakings	£7,053,235

21. Ultimate parent undertaking

Leengate Welding Group Ltd is a 100% subsidiary of Welding Products Holdings Limited, a company registered in England & Wales.

The ultimate parent company is The BOC Group plc, a company incorporated in England and Wales.

Leengate Welding Group Limited

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

22. Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	128,889	138,923
Interest paid	(337,769)	(330,019)
Interest received from group companies	241,680	288,504
	<u>32,800</u>	<u>97,408</u>
Taxation		
Corporation tax paid	<u>2,159</u>	<u>(24,648)</u>
Capital expenditure		
Payments to acquire tangible assets	(171,095)	(35,391)
Receipts from sales of tangible assets	<u>4,500</u>	<u>13,460</u>
	<u>(166,595)</u>	<u>(21,931)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	<u>(56,100)</u>	<u>(266,500)</u>
Financing		
Capital element of finance leases and hire purchase contracts	<u>(8,445)</u>	<u>(7,084)</u>

23. Analysis of changes in net funds

	Opening balance £	Cash flows £	Other changes £	Closing balance £
Cash at bank and in hand	2,014,020	(344,004)		1,670,016
Overdrafts	<u>(251,223)</u>	<u>251,223</u>		-
	1,762,797	<u>(92,781)</u>		1,670,016
Finance leases and hire purchase contracts	<u>(13,248)</u>	<u>8,445</u>	<u>(10,431)</u>	<u>(15,234)</u>
Net funds	<u>1,749,549</u>	<u>(84,336)</u>	<u>(10,431)</u>	<u>1,654,782</u>