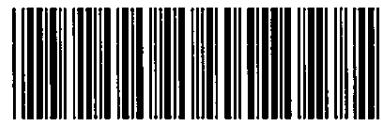


Leengate Welding Group Limited
Directors' report and financial statements
for the year ended 31 December 2007

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

THURSDAY



A41 30/10/2008 151
COMPANIES HOUSE

Leengate Welding Group Limited

Company information

| | | |
|---------------------|---|--------------------------|
| Directors | R C Godley | |
| | N C Betty | Resigned 25 January 2008 |
| | R J N Gearing | Resigned 24 April 2007 |
| | P J Chapman | |
| | R Walker | |
| | M Dennis | Appointed 13 April 2007 |
| 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

Contents

| | Page |
|-----------------------------------|---------------|
| Directors' report | 1 - 2 |
| Auditors' report | 3 - 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Cash flow statement | 7 |
| Notes to the financial statements | 8 - 18 |

Leengate Welding Group Limited

Directors' report for the year ended 31 December 2007

The directors present their report and the financial statements for the year ended 31 December 2007

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

The directors consider the results for the year reflect the company's status as a holding company. 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 year are set out on page 5. The comparatives reflect a fifteen month accounting period. The directors do not recommend payment of a final dividend.

Directors and their interests

The directors who served during the year are as stated below

| | |
|---------------|--------------------------|
| R C Godley | |
| N C Betty | Resigned 25 January 2008 |
| R J N Gearing | Resigned 24 April 2007 |
| P J Chapman | |
| R Walker | |
| M Dennis | Appointed 13 April 2007 |

Leengate Welding Group Limited

Directors' report for the year ended 31 December 2007

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 UK 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.

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

This report was approved by the Board on 29 - 10 - 08 and signed on its behalf by



P J Chapman
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 31 December 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 Welding Group Limited

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

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 2007 and of its profit for the year then ended,
- 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



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

29 October 2008

Leengate Welding Group Limited

**Profit and loss account
for the year ended 31 December 2007**

| | | Continuing operations | |
|---|--------------|--------------------------------|----------------------------------|
| | | Year ended 31/12/07 | Period ended 31/12/06 |
| | Notes | £ | £ |
| Administrative expenses | | (615,985) | (778,712) |
| Other operating income | | 725,723 | 627,067 |
| Operating profit/(loss) | 2 | 109,738 | (151,645) |
| Exceptional profit on disposal of fixed assets | 2 | 127,977 | (54,059) |
| Profit/(loss) on ordinary activities before interest | | 237,715 | (205,704) |
| Investment income | 3 | 757,138 | 498,148 |
| Other interest receivable and similar income | 5 | 182,665 | 168,005 |
| Amount written off investments | 4 | (54,000) | (90,360) |
| Interest payable and similar charges | 6 | (464,071) | (567,428) |
| Profit/(loss) on ordinary activities before taxation | | 659,447 | (197,339) |
| Tax on profit/(loss) on ordinary activities | 9 | 40,768 | 122,800 |
| Profit/(loss) on ordinary activities after taxation | | 700,215 | (74,539) |
| Retained profit/(loss) for the year | 17 | 700,215 | (74,539) |
| Retained profit brought forward | | 1,905,308 | 1,979,847 |
| Retained profit carried forward | | 2,605,523 | 1,905,308 |

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

The notes on pages 8 to 18 form an integral part of these financial statements

Leengate Welding Group Limited

**Balance sheet
as at 31 December 2007**

| | Notes | 31/12/07 £ | 31/12/06 £ |
|---|-------|--------------------|--------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 526,413 | 539,622 |
| Investments | 11 | 800,129 | 841,629 |
| | | <u>1,326,542</u> | <u>1,381,251</u> |
| Current assets | | | |
| Stocks | 12 | 5,092 | 5,092 |
| Debtors | 13 | | |
| falling due after more than one year | | 3,509,581 | 3,893,438 |
| falling due within one year | | 2,728,369 | 1,786,291 |
| Cash at bank and in hand | | 1,967,360 | 2,684,638 |
| | | <u>8,210,402</u> | <u>8,369,459</u> |
| Creditors amounts falling due within one year | 14 | <u>(1,121,015)</u> | <u>(2,034,996)</u> |
| Net current assets | | <u>7,089,387</u> | <u>6,334,463</u> |
| Total assets less current liabilities | | <u>8,415,929</u> | <u>7,715,714</u> |
| Creditors amounts falling due after more than one year | 15 | <u>(5,785,158)</u> | <u>(5,785,158)</u> |
| Net assets | | <u>2,630,771</u> | <u>1,930,556</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 10,250 | 10,250 |
| Share premium account | 17 | 14,998 | 14,998 |
| Profit and loss account | 17 | 2,605,523 | 1,905,308 |
| Equity shareholders' funds | 18 | <u>2,630,771</u> | <u>1,930,556</u> |

The financial statements were approved by the Board on 29.10.08 and signed on its behalf by


P. J. Chapman
Director

The notes on pages 8 to 18 form an integral part of these financial statements.

Leengate Welding Group Limited

**Cash flow statement
for the year ended 31 December 2007**

| | Notes | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|--|-------|--------------------------------|----------------------------------|
| Reconciliation of operating profit/(loss) to net cash outflow from operating activities | | | |
| Operating profit/(loss) | | 109,738 | (151,645) |
| Depreciation | | 32,132 | 38,156 |
| (Increase) in stocks | | - | 26 |
| (Increase) in debtors | | (370,924) | 1,205,362 |
| (Decrease) in creditors | | (961,636) | (331,506) |
| Net cash outflow from operating activities | | <u>(1,190,690)</u> | <u>760,393</u> |
| Cash flow statement | | | |
| Net cash outflow from operating activities | | (1,190,690) | 760,393 |
| Returns on investments and servicing of finance | 24 | 288,435 | (137,143) |
| Taxation | 24 | 88,423 | 122,800 |
| Capital expenditure | 24 | 109,054 | (191,915) |
| Acquisitions and disposals | 24 | (12,500) | (276,013) |
| Decrease in cash in the year | | <u>(717,278)</u> | <u>278,122</u> |
| Reconciliation of net cash flow to movement in net debt (Note 25) | | | |
| Decrease in cash in the year | | (717,278) | 278,122 |
| Net funds at 1 January 2007 | | 2,684,638 | 2,406,516 |
| Net funds at 31 December 2007 | | <u>1,967,360</u> | <u>2,684,638</u> |

Leengate Welding Group Limited

Notes to the financial statements for the year ended 31 December 2007

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 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 | - | 2% on cost |
| Fixtures, fittings and equipment | - | 15% reducing balance |
| Motor vehicles | - | 20% straight line new commercial vehicles/25% reducing balance other vehicles |

1.3 Leasing

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 permanent diminution in value

1.5 Stock

Stock is valued at the lower of cost and net realisable value

1.6 Pensions

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

1.7 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| 2 | Operating profit/(loss) | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|----------|--|--|--|
| | Operating profit/(loss) is stated after charging | | |
| | Depreciation and other amounts written off tangible assets | 30,642 | 37,013 |
| | Loss on disposal of tangible fixed assets | 1,490 | 1,143 |
| | Operating lease rentals | | |
| | - Land and buildings | 22,490 | 18,869 |
| | - Motor vehicles | 23,401 | 23,783 |
| | Auditors' remuneration | 9,850 | 5,800 |
| | Auditors' remuneration from non-audit work | 27,601 | 6,592 |
| | and after crediting | | |
| | Net foreign exchange gain | <u>92,340</u> | <u>104,475</u> |

Other non-audit services have been provided to subsidiary undertakings in 2007 amounting to £13,760 (2006 £28,140)

Exceptional profit on disposal of fixed assets

The exceptional profit on disposal of fixed assets represents the sale of property

| 3 | Income from investments | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|----------|-------------------------------------|--|--|
| | Income from subsidiary undertakings | <u>757,138</u> | <u>498,148</u> |

Dividends of £569,841 have been received from subsidiary undertakings (2006 £262,280)

| 4 | Amounts written off investments | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|----------|--|--|--|
| | Amounts written off fixed asset investments | | |
| | - permanent diminution in value of subsidiary undertakings | <u>54,000</u> | <u>90,360</u> |

| 5. | Interest receivable and similar income | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|-----------|---|--|--|
| | Bank interest | <u>182,665</u> | <u>168,005</u> |

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| | | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|--------------|--|---|---|
| 6 | Interest payable and similar charges | | |
| | On amounts payable to group companies | 397,806 | 507,182 |
| | Bank interest | 66,265 | 60,463 |
| | On overdue tax | - | (217) |
| | | <u>464,071</u> | <u>567,428</u> |
| 7 | Employees | | |
| | Number of employees | Year ended 31/12/07 Number | Period ended 31/12/06 Number |
| | The average monthly numbers of employees (including the directors) during the year were | | |
| | Management | <u>12</u> | <u>12</u> |
| | Employment costs | 31/12/07 £ | 31/12/06 £ |
| | Wages and salaries | 416,932 | 510,424 |
| | Social security costs | 54,251 | 70,343 |
| | Pension costs | 26,842 | 40,335 |
| | | <u>498,025</u> | <u>621,102</u> |

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|---|--|--|
| 7 1 Directors' emoluments | | |
| Remuneration and other emoluments | 222,117 | 274,867 |
| Pension contributions | 18,388 | 21,723 |
| | <u>240,505</u> | <u>296,590</u> |
| | Number | Number |
| Number of directors to whom retirement benefits are accruing under a money purchase scheme | <u>3</u> | <u>3</u> |
| Highest paid director | £ | £ |
| Amounts included above | | |
| Emoluments and other benefits | 99,013 | 116,933 |
| Pension contributions | 8,300 | 9,948 |
| | <u>107,313</u> | <u>126,881</u> |

8 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 £26,842 (2006 - £40,335).

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

9 Tax on profit/(loss) on ordinary activities

| | Year ended 31/12/07 £ | Period ended 31/12/06 £ |
|---|--|--|
| Analysis of charge in period | | |
| Current tax | | |
| UK corporation tax | 47,655 | - |
| Amounts receivable from group undertakings in respect of group relief | (88,423) | (122,800) |
| | <u>(40,768)</u> | <u>(122,800)</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

| | 2007 £ | 2006 £ |
|---|-------------------|-------------------|
| Profit/(loss) on ordinary activities before taxation | <u>659,447</u> | <u>(197,339)</u> |
| Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (31 December 2006 30%) | 197,834 | (59,202) |
| Effects of | | |
| Expenses not deductible for tax purposes | 20,257 | 49,369 |
| Depreciation for period in excess of capital allowances | 516 | (286) |
| Amounts receivable for group relief | (88,423) | (33,997) |
| Income not chargeable for tax purposes | (170,952) | (78,684) |
| Current tax charge for period | <u>(40,768)</u> | <u>(122,800)</u> |

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| 10 | Tangible fixed assets | Fixtures, Land and fittings and buildings equipment | | | Motor vehicles | Total |
|----|--|---|---------|-------|-------------------|-------------|
| | | £ | £ | | £ | £ |
| | Cost | | | | | |
| | At 1 January 2007 | 553,208 | 70,840 | | 66,504 | 690,552 |
| | Additions | 69,747 | 10,789 | | 9,999 | 90,535 |
| | Disposals | (80,000) | - | | (17,687) | (97,687) |
| | At 31 December 2007 | 542,955 | 81,629 | | 58,816 | 683,400 |
| | Depreciation | | | | | |
| | At 1 January 2007 | 78,742 | 34,873 | | 37,315 | 150,930 |
| | On disposals | (13,200) | - | | (11,385) | (24,585) |
| | Charge for the year | 12,528 | 11,559 | | 6,555 | 30,642 |
| | At 31 December 2007 | 78,070 | 46,432 | | 32,485 | 156,987 |
| | Net book values | | | | | |
| | At 31 December 2007 | 464,885 | 35,197 | | 26,331 | 526,413 |
| | At 31 December 2006 | 474,466 | 35,967 | | 29,189 | 539,622 |
| | | | | | 2007 | 2006 |
| | | | | | £ | £ |
| | Freehold | | | | 455,852 | 461,860 |
| | Tenant's improvement to property | | | | 9,033 | 12,606 |
| | | | | | 464,885 | 474,466 |
| | | | | | | |
| 11 | Fixed asset investments | Subsidiary undertakings shares | | Total | | |
| | | £ | | £ | | |
| | Cost | | | | | |
| | At 1 January 2007 | | 931,989 | | 931,989 | |
| | Additions | | 12,500 | | 12,500 | |
| | At 31 December 2007 | | 944,489 | | 944,489 | |
| | Provisions for diminution in value | | | | | |
| | At 1 January 2007 | | 90,360 | | 90,360 | |
| | Diminution in value of subsidiary company investment | | 54,000 | | 54,000 | |
| | At 31 December 2007 | | 144,360 | | 144,360 | |
| | Net book values | | | | | |
| | At 31 December 2007 | | 800,129 | | 800,129 | |
| | At 31 December 2006 | | 841,629 | | 841,629 | |

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

11.1 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 | 875 | 87.5 |
| Industrial & Welding Management Ltd | Ordinary £1 | 1,000 | 100 |
| Leengate Industrial & Welding Supplies (Lincoln) Ltd | Ordinary £1 | 9,000 | 90 |
| Leengate Industrial & Welding Supplies Ltd | Ordinary £1 | 9,000 | 90 |
| Rock Industrial & Welding Supplies Ltd | Ordinary £1 | 8,715 | 87.5 |
| Pennine Industrial & Welding Supplies Ltd | Ordinary £1 | 10,000 | 100 |
| Cotswold Industrial & Welding Supplies Ltd | Ordinary £1 | 1 | 100 |
| Welding Wires (Midlands) Ltd | Ordinary £1 | 1000 | 100 |
| Leengate Industrial & Welding Supplies (Nottingham) Ltd | Ordinary £1 | 32,000 | 80 |
| Future Industrial & Welding Supplies Ltd | Ordinary £1 | 200 | 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 |
| Wessex Industrial & Welding Supplies Ltd | Ordinary £1 | 1 | 100 |
| Industrial & Welding Supplies (North West) Ltd | Ordinary £1 | 2 | 100 |
| Sharp Times Ltd | Ordinary £1 | 1000 | 100 |
| Islebrood Ltd (Dormant) | Ordinary £1 | 1000 | 100 |
| Subsidiary of Sharp Times Ltd | | | |
| Express Industrial & Welding Supplies Ltd | Ordinary £1 | 20,000 | 100 |
| Hire, purchase and sale of welding equipment | | | |
| Leengate Hire & Services Ltd (formerly Leen Gate Hire Ltd) | Ordinary £1 | 10,010 | 100 |
| Industrial Supplies & Services Ltd (formerly 3 Shires Cutting & Welding Ltd) | Ordinary £1 | 10,000 | 100 |
| Service of welding equipment | | | |
| Welder Equipment Services Ltd | Ordinary £1 | 7,500 | 75 |
| Gas and pipeline products | | | |
| Leengate Valves Ltd (formerly Gas Instrument Services Ltd) | Ordinary £1 | 9,425 | 94.25 |
| Gaffney Industrial & Welding Supplies Ltd | Ordinary £1 | 80 | 80 |

All companies are registered in England & Wales

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| | | | |
|-----------|--|------------------|------------------|
| 12 | Stocks | 31/12/07 | 31/12/06 |
| | | £ | £ |
| | Computer consumables | <u>5,092</u> | <u>5,092</u> |
| 13 | Debtors | 31/12/07 | 31/12/06 |
| | | £ | £ |
| | Trade debtors | 365 | 645 |
| | Amounts owed by group undertakings | 6,187,843 | 5,651,124 |
| | Other debtors | <u>49,742</u> | <u>27,960</u> |
| | | <u>6,237,950</u> | <u>5,679,729</u> |
| | Amounts falling due after more than one year and included in debtors are | | |
| | Amounts owed by group undertakings | <u>3,509,581</u> | <u>3,893,438</u> |
| 14 | Creditors amounts falling due within one year | 31/12/07 | 31/12/06 |
| | | £ | £ |
| | Trade creditors | 49,521 | 59,422 |
| | Amounts owed to group undertakings | 986,142 | 1,894,561 |
| | Corporation tax | 47,655 | - |
| | Other taxes and social security costs | 29,260 | 6,394 |
| | Other creditors | <u>8,437</u> | <u>74,619</u> |
| | | <u>1,121,015</u> | <u>2,034,996</u> |
| | Bank overdrafts are secured by a charge over book debts | | |
| 15 | Creditors amounts falling due after more than one year | 31/12/07 | 31/12/06 |
| | | £ | £ |
| | Amounts owed to group undertakings | <u>5,785,158</u> | <u>5,785,158</u> |

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

| 16 | Share capital | 31/12/07 £ | 31/12/06 £ |
|----|--|---------------|---------------|
| | Authorised equity | | |
| | 20,000 ordinary shares of £1 each | 20,000 | 20,000 |
| | Allotted, called up and fully paid equity | | |
| | 10,250 ordinary shares of £1 each | 10,250 | 10,250 |

| 17 | Equity Reserves | Share premium account £ | Profit and loss account £ | Total £ |
|----|-------------------------------------|----------------------------------|------------------------------------|------------|
| | At 1 January 2007 | 14,998 | 1,905,308 | 1,920,306 |
| | Retained profit/(loss) for the year | - | 700,215 | 700,215 |
| | At 31 December 2007 | 14,998 | 2,605,523 | 2,620,521 |

| 18 | Reconciliation of movements in shareholders' funds | 31/12/07 £ | 31/12/06 £ |
|----|--|---------------|---------------|
| | Profit/(loss) for the year | 700,215 | (74,539) |
| | Opening shareholders' funds | 1,930,556 | 2,005,095 |
| | Closing shareholders' funds | 2,630,771 | 1,930,556 |

19 Financial commitments

At 31 December 2007 the company had annual commitments under operating leases as follows

| | Land and buildings | | Other | |
|----------------------------|--------------------|---------------|---------------|---------------|
| | 31/12/07 £ | 31/12/06 £ | 31/12/07 £ | 31/12/06 £ |
| Expiry date | | | | |
| Within one year | - | - | 4,428 | 3,570 |
| Between one and five years | - | - | 5,426 | 12,948 |
| In over five years | 17,490 | 16,000 | - | - |
| | 17,490 | 16,000 | 9,854 | 16,518 |

Leengate Welding Group Limited
Notes to the financial statements
for the year ended 31 December 2007

20 Contingent liabilities

The company has given National Westminster Bank plc guarantees to secure monies owed by subsidiary undertakings up to a maximum of £3,025,000

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 death, retirement or termination of employment of those minority shareholders, the subsidiary or its parent company (Leengate Welding Group Limited) shall repurchase the shares at a price determined by the subsidiary's Articles of Association

21 Related party transactions

The following transactions with related parties occurred during the period

Management and administration charges of £678,427 (2006 £511,500) have been charged to subsidiary undertakings

The company rents its freehold property to subsidiary undertakings Rent receivable for the year amounted to £48,000 (2006 £48,000)

The company was charged interest on group borrowings of £397,806 (2006 £507,182)

At 31 December 2007 these were the following balances with related parties

| | 2007 | 2006 |
|--|------------|------------|
| Amounts due from subsidiary undertaking | £6,187,842 | £5,651,124 |
| Amounts due to subsidiary undertakings of Leengate Welding Group Limited | £39,140 | £57,307 |
| Amounts due to other subsidiary undertakings of Linde AG | £6,732,160 | £7,622,412 |

22 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 Linde AG, Leopoldstrasse 252, 80807 Munich, Germany

23 Controlling interest

The company is controlled by its directors

Leengate Welding Group Limited

**Notes to the financial statements
for the year ended 31 December 2007**

24 Gross cash flows

| | 31/12/07 | 31/12/06 |
|--|-----------------|------------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Interest received | 182,665 | 168,005 |
| Interest paid | (464,071) | (567,428) |
| Dividends received | 569,841 | 262,280 |
| | <u>288,435</u> | <u>(137,143)</u> |
| Taxation | | |
| Corporation tax repaid | <u>88,423</u> | <u>122,800</u> |
| Capital expenditure | | |
| Payments to acquire tangible assets | (90,535) | (195,017) |
| Receipts from sales of tangible assets | 199,589 | 3,102 |
| | <u>109,054</u> | <u>(191,915)</u> |
| Acquisitions and disposals | | |
| Payments for the acquisition of group interests | <u>(12,500)</u> | <u>(276,013)</u> |

25 Analysis of changes in net funds

| | Opening balance | Cash flows | Closing balance |
|--------------------------|----------------------------|-----------------------|----------------------------|
| | £ | £ | £ |
| Cash at bank and in hand | <u>2,684,638</u> | <u>(717,278)</u> | <u>1,967,360</u> |