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Company No: 1994660

**SAF OERLIKON UK LIMITED**

Annual Report

Year ended 31 December 2003



**PKF**

**PKF**

PANNELL HOUSE  
159 CHARLES STREET  
LEICESTER LE1 1LD

# **SAF OERLIKON UK LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	B Buffat H-J Enzingmueller Dr J G Garland
<b>Secretary</b>	C Martinez
<b>Company Number</b>	1994660
<b>Registered Office</b>	25 North Row London W1R 1DJ
<b>Auditors</b>	PKF Pannell House 159 Charles Street Leicester LE1 1LD
<b>Bankers</b>	HSBC Bank plc 29 Bowen Square Daventry Northamptonshire NN11 4ER

# SAF OERLIKON UK LIMITED

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**SAF OERLIKON UK LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2003**

The directors submit their report and the financial statements for the year ended 31 December 2003.

**Results and dividends**

The loss for the year, after taxation, amounted to £1,002,350 (2002 - £507,249).

**Change of name**

The company changed its name from SAF Welding Products Limited to SAF Oerlikon UK Limited on 15 January 2004.

**Principal activity and review of the business**

The principal activity of the company during the year was the sale and distribution of SAF Welding products in the U.K. and Eire as part of its franchised area.

The dormant subsidiary undertakings were all struck off during the year.

The directors are disappointed with the results for the year which were attributable to the difficult market conditions. However, following the purchase of the trade and assets of Oerlikon Welding Limited since the year end, and with the continued support of the parent company, the directors believe that the company is well placed to take advantage of future opportunities.

**Directors**

The directors who served during the year were:


B Buffat (appointed 25 June 2003)  
H-J Enzingmueller (appointed 17 October 2003)  
J Fere (resigned 25 June 2003)  
G Missiaen (resigned 25 June 2003)  
W Spray (resigned 28 November 2003)

Dr J G Garland was appointed as a director on 7 January 2004.

The directors at the end of the year had no interests in the shares of the company or of any group company during the year.

By order of the board

**C Martinez**  
Secretary

  
30 July 2004

**SAF OERLIKON UK LIMITED**  
**STATEMENT OF 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 affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SAF OERLIKON UK LIMITED**

We have audited the financial statements of SAF Oerlikon UK Limited for the year ended 31 December 2003 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 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**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 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 judgments 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
SAF OERLIKON UK LIMITED (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leicester, UK  
2 August 2004



**PKF**  
Registered Auditors

**SAF OERLIKON UK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2003**

	Notes	2003 £	2002 £
<b>TURNOVER</b>	<b>2</b>	<b>3,489,156</b>	<b>3,717,070</b>
Change in stocks of finished goods and work in progress		(558,857)	(284,631)
Other operating income		175	34,419
Raw materials and consumables		(2,640,877)	(2,542,144)
Staff costs	<b>5</b>	(541,930)	(605,598)
Depreciation and amortisation		(43,052)	(57,283)
Other operating charges		(602,391)	(645,411)
<b>OPERATING LOSS</b>	<b>3</b>	<b>(897,776)</b>	<b>(383,578)</b>
Income from shares in group undertakings		-	522,188
Interest receivable and similar income		10,775	1,313
Amounts written off investments		-	(522,188)
Interest payable and similar charges	<b>6</b>	(115,349)	(124,984)
<b>LOSS FOR THE FINANCIAL YEAR</b>		<b>(1,002,350)</b>	<b>(507,249)</b>

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.



# SAF OERLIKON UK LIMITED

## BALANCE SHEET

31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>FIXED ASSETS</b>			
Intangible	8	264,382	280,522
Tangible	9	114,844	142,788
		<u>379,226</u>	<u>423,310</u>
<b>CURRENT ASSETS</b>			
Stocks	10	674,830	1,233,686
Debtors	11	1,378,070	1,542,154
Cash at bank and in hand		562,597	605,733
		<u>2,615,497</u>	<u>3,381,573</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>(912,950)</u>	<u>(840,760)</u>
<b>NET CURRENT ASSETS</b>		<u>1,702,547</u>	<u>2,540,813</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,081,773</u>	<u>2,964,123</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13	<u>(2,905,198)</u>	<u>(2,785,198)</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><u>(823,425)</u></u>	<u><u>178,925</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	950,000	950,000
Profit and loss account	16	(1,773,425)	(771,075)
<b>SHAREHOLDERS' FUNDS</b>	17	<u><u>(823,425)</u></u>	<u><u>178,925</u></u>

The financial statements were approved by the board on

*30 June 2004*

Signed on behalf of the board of directors

 Dr J G Garland

Director

**SAF OERLIKON UK LIMITED**  
**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2003**

	2003 £	2002 £
<b>Reconciliation of operating loss to net cash inflow from operating activities</b>		
Operating loss	(897,776)	(383,578)
Amortisation of intangible assets	16,140	16,140
Depreciation of tangible fixed assets	28,609	40,161
(Profit)/loss on sale of fixed assets	(1,697)	982
Decrease in debtors	164,084	996,169
Decrease in stocks	558,856	284,631
Increase/(decrease) in creditors	378,664	(155,682)
<b>Net cash inflow from operating activities</b>	<b>246,880</b>	<b>798,823</b>
<b>CASH FLOW STATEMENT (note 18)</b>		
Net cash inflow from operating activities	246,880	798,823
Returns on investments and servicing of finance	(104,574)	(123,671)
Capital expenditure	1,031	(13,796)
	143,337	661,356
<b>Financing</b>	<b>(44,049)</b>	<b>(51,188)</b>
<b>Increase in cash</b>	<b>99,288</b>	<b>610,168</b>
<b>Reconciliation of net cash flow to movement in net funds (note 19)</b>		
Increase in cash in the year	99,288	610,168
Cashflow from decrease in debt and hire purchase financing	44,049	51,188
Change in net funds	143,337	661,356
Net funds at 1 January 2003	377,252	(284,104)
<b>Net funds at 31 December 2003</b>	<b>520,589</b>	<b>377,252</b>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES**

**(a) Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The ultimate holding company has indicated its intention to continue to provide financial support to enable the company to meet all its financial liabilities. The financial statements have therefore been prepared on a going concern basis.

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

**(c) Goodwill**

Goodwill represents the difference between purchase consideration over the fair value of the net separable assets acquired. Goodwill arising on acquisitions is treated as an intangible asset in the balance sheet and stated at cost less amortisation. Goodwill is amortised on a straight line basis over its useful economic life of 20 years.

**(d) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	2 %
Plant, machinery and office equipment	10 - 33 %
Motor vehicles	25 - 33 %

Freehold land is not depreciated.

**(e) Finance leases and hire purchase**

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The instalments payable under each agreement are apportioned between capital and revenue to write off the finance charge in equal instalments over the period of the agreement.

**(f) Operating leases**

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

**(g) Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is based on estimated selling price allowing for all further costs of disposal.

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**1 ACCOUNTING POLICIES (continued)**

**(h) Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating results.

**(i) Deferred taxation**

Deferred tax is provided using the full provision method and is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are only recognised where they arise from timing differences where their recoverability in the short term is more likely than not.

**(j) Pensions**

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

**2 TURNOVER**

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	2003 £	2002 £
United Kingdom	3,465,933	3,699,664
European Union	23,223	17,406
Total	<u>3,489,156</u>	<u>3,717,070</u>

**3 OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	2003 £	2002 £
Amortisation of intangible assets	16,140	16,140
Depreciation of tangible fixed assets:		
- owned by the company	28,609	24,090
- held under finance lease or hire purchase contracts	-	16,071
Audit fees	5,750	5,750
Operating lease rentals:		
- plant & machinery	7,260	8,728
- other	68,343	60,484
(Profit)/Loss on disposal of tangible fixed assets	<u>(1,697)</u>	<u>982</u>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2003	2002
	£	£
Directors' emoluments	47,356	54,161
Contributions to money purchase pension schemes	6,188	4,500
	<u>          </u>	<u>          </u>
The number of directors accruing benefits under pension schemes were:		
	No	No
Money purchase schemes	1	1
	<u>          </u>	<u>          </u>

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	2003	2002
	£	£
Wages and salaries	471,293	530,280
Social security costs	52,323	56,542
Other pension costs	18,314	18,776
	<u>          </u>	<u>          </u>
	541,930	605,598
	<u>          </u>	<u>          </u>

The average monthly number of employees, including executive directors, during the year was:

	No	No
Sales and distribution	10	10
Administration and management	11	14
	<u>          </u>	<u>          </u>
	21	24
	<u>          </u>	<u>          </u>

**6 INTEREST PAYABLE AND SIMILAR CHARGES**

	2003	2002
	£	£
Bank loans and overdrafts	3,432	5,371
Interest payable to group companies	102,432	114,068
Finance charges under finance lease and hire purchase contracts	3,992	5,545
Exchange differences	5,493	-
	<u>          </u>	<u>          </u>
	115,349	124,984
	<u>          </u>	<u>          </u>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**7 TAXATION**

**(b) Factors affecting the tax charge for the year**

The tax assessed for the year does not reflect a credit equivalent to the loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	2003 £	2002 £
Loss on ordinary activities before tax	(1,002,350)	(507,249)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 19% (2002: 20%)	(190,447)	(101,450)
Effects of:		
Depreciation charged in excess of capital allowances	1,363	3,208
Expenses disallowed	4,504	4,758
(Decrease)/increase in general provisions	(5)	(387)
Effect of losses carried forward	184,585	93,871
Current tax charge for the year	-	-

The company has unutilised tax losses amounting to £1,711,000 (2002 £720,000).

**8 INTANGIBLE FIXED ASSETS**

	Goodwill £
<b>Cost</b>	
At 1 January 2003 and 31 December 2003	327,862
<b>Amortisation</b>	
At 1 January 2003	47,340
Charge for the year	16,140
At 31 December 2003	63,480
<b>Net book amount</b>	
At 31 December 2003	264,382
At 31 December 2002	280,522

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**9 TANGIBLE FIXED ASSETS**

	Freehold land and buildings £	Plant, machinery and office equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2003	99,519	507,259	16,010	622,788
Additions	-	1,469	-	1,469
Disposals	-	(125,115)	(16,010)	(141,125)
At 31 December 2003	<u>99,519</u>	<u>383,613</u>	<u>-</u>	<u>483,132</u>
<b>Depreciation</b>				
At 1 January 2003	3,600	460,390	16,010	480,000
Charge for year	1,800	26,809	-	28,609
On disposals	-	(124,311)	(16,010)	(140,321)
At 31 December 2003	<u>5,400</u>	<u>362,888</u>	<u>-</u>	<u>368,288</u>
<b>Net book amount</b>				
At 31 December 2003	<u>94,119</u>	<u>20,725</u>	<u>-</u>	<u>114,844</u>
At 31 December 2002	<u>95,919</u>	<u>46,869</u>	<u>-</u>	<u>142,788</u>

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2003 £	2002 £
Fixtures & fittings	-	19,822
	<u>-</u>	<u>19,822</u>

**10 STOCKS**

	2003 £	2002 £
Finished goods	<u>674,830</u>	<u>1,233,686</u>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**11 DEBTORS**

	2003 £	2002 £
<b>Due within one year</b>		
Trade debtors	1,165,166	1,507,659
Amounts due from group undertakings	-	648
Other debtors	179,631	835
Prepayments & accrued income	33,273	33,012
	<u>1,378,070</u>	<u>1,542,154</u>

**12 CREDITORS**

	2003 £	2002 £
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts (note 14)	30,000	172,424
Trade creditors	391,981	212,728
Amounts owed to group undertakings	283,442	262,940
Other tax and social security	122,546	91,930
Net obligations under finance lease and hire purchase contracts	-	14,049
Accruals and deferred income	84,981	86,689
	<u>912,950</u>	<u>840,760</u>

The bank loan and overdrafts are secured by a fixed and floating charge over the assets of the company.

**13 CREDITORS**

	2003 £	2002 £
<b>Amounts falling due after more than one year</b>		
Bank loans (note 14)	12,008	42,008
Amounts owed to group undertakings	2,893,190	2,743,190
	<u>2,905,198</u>	<u>2,785,198</u>



**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**14 LOANS**

Loans fall due for payment as follows:

	2003 £	2002 £
<b>Bank loans</b>		
Within one year	30,000	30,000
Between one and two years	12,008	30,000
Between two and five years	-	12,008
	<u>42,008</u>	<u>72,008</u>

The bank loan is secured by a fixed and floating charge over the assets of the company.

The bank loan is repayable by monthly instalments and interest is charged at 2% over the bank's base lending rate.

**15 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2003 and 31 December 2003 Ordinary shares of £1 each	<u>1,700,000</u>	<u>950,000</u>	<u>950,000</u>

**16 RESERVES**

	£
<b>Profit and loss account</b>	
At 1 January 2003	(771,075)
Loss for the year	(1,002,350)
At 31 December 2003	<u>(1,773,425)</u>

**17 SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Shareholders' funds at 1 January 2003	178,925	686,174
Loss for the year	(1,002,350)	(507,249)
Shareholders' funds at 31 December 2003	<u>(823,425)</u>	<u>178,925</u>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**18 GROSS CASH FLOWS**

	2003 £	2002 £
<b>Returns on investments and servicing of finance</b>		
Interest received	10,775	1,313
Interest paid	(111,357)	(119,439)
Interest element of finance lease rentals	(3,992)	(5,545)
	<u>(104,574)</u>	<u>(123,671)</u>
 <b>Capital expenditure</b>		
Payments to acquire tangible fixed assets	(1,469)	(13,896)
Receipts from sales of tangible fixed assets	2,500	100
	<u>1,031</u>	<u>(13,796)</u>
 <b>Financing</b>		
Loans repaid	(30,000)	(28,131)
Capital element of finance lease rentals	(14,049)	(23,057)
	<u>(44,049)</u>	<u>(51,188)</u>

**19 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 January 2003 £	Cash flows £	Other changes £	At 31 December 2003 £
Cash at bank and in hand	605,733	(43,136)	-	562,597
Overdrafts	(142,424)	142,424	-	-
		<u>99,288</u>		
Debt due within 1 year	(30,000)	-	-	(30,000)
Debt due after 1 year	(42,008)	30,000	-	(12,008)
Finance leases	(14,049)	14,049	-	-
Total	<u>377,252</u>	<u>143,337</u>	<u>-</u>	<u>520,589</u>

**SAF OERLIKON UK LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**20 OTHER COMMITMENTS**

At 31 December 2003 the company had annual commitments under operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry date:</b>				
Within one year	-	-	6,463	22,781
Between one and five years	-	-	54,730	4,296
After more than five years	68,500	68,500	-	-
	<u>68,500</u>	<u>68,500</u>	<u>-</u>	<u>-</u>

**21 TRANSACTIONS WITH RELATED PARTIES**

As SAF Welding Products Limited is wholly owned by Air Liquide group and the consolidated accounts of Air Liquide are publicly available in France, advantage has been taken of the exemption offered by Financial Reporting Standard 8 from the requirement to disclose transactions with other group companies.

**22 POST BALANCE SHEET EVENTS**

Since the year end the company purchased the trade and assets of Oerlikon Welding Limited for £2.85m.

**23 PENSION COSTS**

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year is shown in note 5.

**24 PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

In the opinion of the directors, the ultimate parent company is Air Liquide, a company incorporated in France. A copy of the consolidated financial statements of the group can be obtained from Siege Social, 75 Quai D'Orsay, 75321, Paris, France.

The company is ultimately controlled by Air Liquide.