



Accountants &  
business advisers

Company No 1994660

## AIR LIQUIDE WELDING LIMITED

Annual Report

Year ended 31 December 2007

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**AIR LIQUIDE WELDING LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	B Buffat Dr J G Garland
<b>Secretary</b>	C Martinez
<b>Company number</b>	1994660
<b>Registered office</b>	Unit 2 Low March London Road Daventry NN11 4SD
<b>Auditors</b>	PKF (UK) LLP Pannell House 159 Charles Street Leicester LE1 1LD
<b>Bankers</b>	HSBC Bank plc 29 Bowen Square Daventry Northamptonshire NN11 4ER

# AIR LIQUIDE WELDING LIMITED

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## **AIR LIQUIDE WELDING 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 activities**

The principal activity of the business in 2007 was the distribution and sale of Oerlikon, SAF and Weldline brand welding and automation products in the UK and Irish markets

#### **Business review**

The Company experienced increasingly strong demand in the UK and Ireland for its products during 2007, especially in the areas of automated welding and cutting equipment and welding fluxes. Capacity constraints in a number of the Air Liquide Welding Group's manufacturing facilities in Europe, however, held sales turnover down to the levels of the previous year. This was despite upward movements in average sales prices driven primarily by favourable shifts in product mix towards premium sectors.

The trend in selling prices allied to the benefits of ongoing manufacturing consolidation produced significant improvements in gross margin.

The Company continued to invest heavily in the integration of its logistics and data systems with those of the Parent Group with the objective of improving long term customer service levels. The specific costs of these programmes in the year, combined with further marketing spend on the re-launch and positioning of the Group's brand portfolio, increased the overheads for the year compared to the prior period. This investment will continue in 2008 as the Company seeks to build a sound base for future diversified revenue growth across all product sectors in the UK welding and cutting market.

As a result of the investment in strengthening the Company's business base, the result declared for the year did not reflect the significant improvement in the underlying financial performance achieved in 2007 compared to the previous year.

The Company continues to experience local difficulties in recruitment of qualified technical personnel in a number of areas. Levels of internal training have been expanded and recruitment outside the UK is being explored.

Looking forward into 2008, the company expects a continuation of the current significant downward pressure on margins caused by the recent weakness of the £ against the €. This will certainly have an appreciable negative impact on the overall result for the year compared to 2007, independent of the levels of demand in the UK market itself. In this respect, current trading conditions have softened slightly in the general market but large specialised end-users remain relatively buoyant. Overall, the company expects to meet its targets for the year allowing for the changes in the external environment currently predicted.

#### **Results**

The profit for the year, after taxation, amounted to £446,220 (2006 - £448,045)

#### **Directors**

The directors who served during the year were

B Buffat  
Dr J G Garland

## AIR LIQUIDE WELDING LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

#### Financial Instruments

The company's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency or interest rate risks. Its policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates. The company does not use hedge accounting. Its policy is to finance fixed assets through fixed rate borrowings for a term broadly expected to match the useful economic lives of the assets.

The company's exposure to the price risk of financial instruments is therefore minimal. As the counterparty to all financial instruments is its bankers, it is also exposed to minimal credit and liquidity risks in respect of these instruments. Its cash flow risk in respect of forward currency purchases is also minimal as it aims to pay suppliers in accordance with their stated terms, matching the maturity of the currency purchases.

The directors do not consider any other risks attaching to the use of financial instruments to be material to an assessment of its financial position or profit.

#### Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the board on 12th FEBRUARY 2008 and signed on its behalf

**C Martinez**  
Secretary



## **AIR LIQUIDE WELDING LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2007**

The directors are responsible for preparing the annual report and 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 affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 that 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 the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

## **AIR LIQUIDE WELDING LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR LIQUIDE WELDING LIMITED**

We have audited the financial statements of Air Liquide Welding Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet and the related notes. The 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 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 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 ('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 have been 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 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 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.

**AIR LIQUIDE WELDING LIMITED**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AIR LIQUIDE WELDING LIMITED**

**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

*PKF (UK) LLP*

**PKF (UK) LLP**

Registered auditors

Leicester, UK

12 February 2008



# AIR LIQUIDE WELDING LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
<b>TURNOVER</b>	1	<b>17,051,034</b>	16,901,824
Change in stocks of finished goods and work in progress		(221,809)	(154,409)
Raw materials and consumables		(12,086,698)	(12,353,979)
Staff costs		(1,631,679)	(1,574,971)
Depreciation and amortisation		(193,708)	(168,316)
Other operating charges		(2,309,453)	(2,088,589)
<b>OPERATING PROFIT</b>	3	<b>607,687</b>	561,560
Interest receivable		13,932	6,218
Interest payable	6	(171,219)	(97,726)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>450,400</b>	470,052
Tax on profit on ordinary activities	7	(4,180)	(22,007)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>	15	<b>446,220</b>	448,045

All amounts relate to continuing operations

There were no recognised gains and losses for 2007 or 2006 other than those included in the profit and loss account

The notes on pages 8 to 15 form part of these financial statements

# AIR LIQUIDE WELDING LIMITED

## BALANCE SHEET AS AT 31 DECEMBER 2007

	Note	£	2007 £	£	2006 £
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		<b>1,114,493</b>		1,180,022
Tangible fixed assets	9		<b>436,162</b>		443,623
			<u><b>1,550,655</b></u>		<u>1,623,645</u>
<b>CURRENT ASSETS</b>					
Stocks	10	<b>2,477,626</b>		2,699,435	
Debtors	11	<b>5,448,697</b>		5,352,603	
Cash at bank		<b>2,271,047</b>		1,433,103	
			<u><b>10,197,370</b></u>	<u>9,485,141</u>	
<b>CREDITORS</b> , amounts falling due within one year	12	<b>(6,439,460)</b>		<u>(6,246,441)</u>	
<b>NET CURRENT ASSETS</b>			<u><b>3,757,910</b></u>		<u>3,238,700</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u><b>5,308,565</b></u>		<u>4,862,345</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		<b>6,843,190</b>		6,843,190
Profit and loss account	15		<b>(1,534,625)</b>		(1,980,845)
<b>SHAREHOLDERS' FUNDS - All equity</b>	16		<u><b>5,308,565</b></u>		<u>4,862,345</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

*12 February 2008.*

**Dr J E Garland**  
Director

The notes on pages 8 to 15 form part of these financial statements

## AIR LIQUIDE WELDING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

#### 1 ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

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

##### 1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts

##### 1.3 Intangible fixed assets and amortisation

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

##### 1.4 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

Plant & machinery	- 10-33% straight line
Motor vehicles	- 20% straight line

##### 1.5 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

##### 1.6 Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads

##### 1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 1. ACCOUNTING POLICIES (continued)

#### 1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at 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 gains and losses are recognised in the profit and loss account

#### 1.9 Pensions

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

### 2. TURNOVER

The whole of the turnover is attributable to one class of business

A geographical analysis of turnover is as follows

	2007 £	2006 £
United Kingdom	15,213,797	15,351,173
Rest of European Union	1,835,643	1,425,528
Rest of world	1,594	125,123
	<u>17,051,034</u>	<u>16,901,824</u>

### 3. OPERATING PROFIT

The operating profit is stated after charging

	2007 £	2006 £
Amortisation - intangible fixed assets	65,529	66,162
Depreciation of tangible fixed assets		
- owned by the company	128,179	102,154
Operating lease rentals - other	155,409	106,336
Audit fees	9,600	8,800
	<u></u>	<u></u>

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2007 £	2006 £
Wages and salaries	1,386,762	1,309,571
Social security costs	152,989	142,866
Other pension costs	91,928	122,534
	<u>1,631,679</u>	<u>1,574,971</u>

The average monthly number of employees, including the directors, during the year was as follows

	2007 No	2006 No
Sales and distribution	20	19
Administration and management	17	18
	<u>37</u>	<u>37</u>

### 5 DIRECTORS' REMUNERATION

	2007 £	2006 £
Emoluments	<u>179,413</u>	<u>189,237</u>
Company pension contributions to money purchase pension schemes	<u>22,460</u>	<u>22,452</u>

During the year retirement benefits were accruing to 1 director (2006 - 1) in respect of money purchase pension schemes

### 6 INTEREST PAYABLE

	2007 £	2006 £
On bank loans and overdrafts	431	9,375
On loans from group undertakings	170,788	88,351
	<u>171,219</u>	<u>97,726</u>

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 7 TAXATION

	2007 £	2006 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on profits for the year	4,180	1,227
Adjustments in respect of prior periods	-	20,780
<b>Total current tax</b>	<b>4,180</b>	<b>22,007</b>
<b>Tax on profit on ordinary activities</b>	<b>4,180</b>	<b>22,007</b>

### Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	450,400	470,052
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	135,120	141,016
<b>Effects of:</b>		
Expenses not deductible for tax purposes	10,710	13,686
Capital allowances for year in excess of depreciation	(5,593)	(20,961)
Utilisation of tax losses	(152,410)	(95,876)
Adjustments to tax charge in respect of prior periods	-	20,780
Other short term timing differences	16,353	(36,000)
Marginal relief	-	(638)
<b>Current tax charge for the year (see note above)</b>	<b>4,180</b>	<b>22,007</b>

### Factors that may affect future tax charges

The company has unutilised tax losses amounting to £1,264,000 (2006 £1,814,000)

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 8 INTANGIBLE FIXED ASSETS

	Goodwill £
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	1,310,170
<b>Amortisation</b>	
At 1 January 2007	130,148
Charge for the year	65,529
At 31 December 2007	195,677
<b>Net book value</b>	
At 31 December 2007	1,114,493
At 31 December 2006	1,180,022

### 9. TANGIBLE FIXED ASSETS

	Plant, machinery and office equipment £
<b>Cost</b>	
At 1 January 2007	970,779
Additions	120,718
At 31 December 2007	1,091,497
<b>Depreciation</b>	
At 1 January 2007	527,156
Charge for the year	128,179
At 31 December 2007	655,335
<b>Net book value</b>	
At 31 December 2007	436,162
At 31 December 2006	443,623

### 10. STOCKS

	2007 £	2006 £
Finished goods	2,477,626	2,699,435

The difference between purchase price or production cost of stocks and their replacement cost is not material

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 11 DEBTORS

	2007 £	2006 £
Trade debtors	4,811,680	4,868,297
Amounts owed by group undertakings	153,251	78,881
Other debtors	248,159	202,971
Prepayments and accrued income	85,607	52,454
Deferred tax asset (see note 13)	150,000	150,000
	<u>5,448,697</u>	<u>5,352,603</u>

Included in other debtors is £Nil (2006 £8,825) advanced to finance the purchase of shares in the holding company for various employees

### 12 CREDITORS: Amounts falling due within one year

	2007 £	2006 £
Trade creditors	1,114,508	1,318,459
Amounts owed to group undertakings	4,353,250	3,931,909
Corporation tax	4,180	1,228
Social security and other taxes	609,713	477,966
Accruals and deferred income	357,809	516,879
	<u>6,439,460</u>	<u>6,246,441</u>

### 13. DEFERRED TAX ASSET

	2007 £	2006 £
At 1 January 2007 and 31 December 2007	<u>150,000</u>	<u>150,000</u>

The deferred tax asset is made up as follows

	2007 £	2006 £
Other timing differences	<u>150,000</u>	<u>150,000</u>

Deferred tax assets are recognised on the basis that there is reasonable certainty of recovery within one year. Assets of £233,000 (2006 £405,000) have not been recognised



# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 14 SHARE CAPITAL

	2007 £	2006 £
<b>Authorised</b>		
1,700,000 Ordinary shares of £1 each	1,700,000	1,700,000
5,893,190 Redeemable shares of £1 each	5,893,190	5,893,190
	<u>7,593,190</u>	<u>7,593,190</u>
<b>Allotted, called up and fully paid</b>		
950,000 Ordinary shares of £1 each	950,000	950,000
5,893,190 Redeemable shares of £1 each	5,893,190	5,893,190
	<u>6,843,190</u>	<u>6,843,190</u>

The redeemable ordinary shares entitle the holders on winding up or a reduction of capital to be repaid the amounts paid upon such shares

The company has the right to redeem at par the whole or any part of the redeemable ordinary shares upon giving the holders of the shares not less than six months notice in writing

### 15 RESERVES

	Profit and loss account £
At 1 January 2007	(1,980,845)
Profit retained for the year	446,220
	<u>(1,534,625)</u>
At 31 December 2007	

### 16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
Opening shareholders' funds	4,862,345	4,414,300
Profit for the year	446,220	448,045
	<u>5,308,565</u>	<u>4,862,345</u>
Closing shareholders' funds		

### 17 PENSION COMMITMENTS

The company contributes to a money purchase 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 4.

Unpaid pension contributions amounted to £25,351 (2006 £46,667) at the year end.

# AIR LIQUIDE WELDING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

### 18 OPERATING LEASE COMMITMENTS

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

	Land and buildings			Other
	2007	2006	2007	2006
	£	£	£	£
<b>Expiry date:</b>				
Within 1 year	-	-	<b>13,335</b>	13,550
Between 2 and 5 years	-	-	<b>61,782</b>	92,787
After more than 5 years	<b>68,500</b>	68,500	-	-

### 19 TRANSACTIONS WITH RELATED PARTIES

As Air Liquide Welding Limited is 99.9% owned by La Soudure Autogene Francaise, a wholly owned subsidiary of Air Liquide SA, and the consolidated accounts of Air Liquide SA 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

### 20 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is controlled by La Soudure Autogene Francaise

The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is Air Liquide SA, a company incorporated in France. Consolidated accounts are available from Siege Social, 74 Quai D'Orsay, 75321, Paris, France

In the opinion of the directors this is the company's ultimate parent company and ultimate controlling party