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Registrar's Copy

Company No: 1994660

SAF OERLIKON UK LIMITED

Annual Report

Year ended 31 December 2004



PKF

PKF
PANNELL HOUSE
159 CHARLES STREET
LEICESTER LE1 1LD

SAF OERLIKON UK LIMITED

COMPANY INFORMATION

Directors	B Buffat Dr J G Garland
Secretary	C Martinez
Company Number	1994660
Registered Office	Unit 2 Low March London Road Daventry London NN11 4SD
Auditors	PKF Pannell House 159 Charles Street Leicester LE1 1LD
Bankers	HSBC Bank plc 29 Bowen Square Daventry Northamptonshire NN11 4ER

SAF OERLIKON UK LIMITED

CONTENTS

	Page
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	2
INDEPENDENT AUDITORS' REPORT	3 - 4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
CASH FLOW STATEMENT	7
NOTES TO THE FINANCIAL STATEMENTS	8 - 16

SAF OERLIKON UK LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2004

The directors submit their report and the financial statements for the year ended 31 December 2004.

Principal activity and review of the business

The principal activity of the company during the year was the sale and distribution of Oerlikon and SAF brand welding and automation products in the U.K. and Eire.

At the beginning of the year SAF Welding Products acquired the trade and assets of Oerlikon Limited and was renamed SAF Oerlikon UK Limited.

The greater market share and geographical coverage generated by this change provided the basis for sales development from a more efficient cost base. These benefits are partly reflected in the operating profit for 2004 but will be evident in full in 2005, which will also show the positive impact of the Product Demonstration and Exhibition facility established at Daventry to support the automation and machine business.

The directors consider the prospects for 2005 to be encouraging.

Results and dividends

Operating profit for the year was **£260,946** compared to a loss in the previous year of **£897,776**. This represents a very significant improvement in performance which is ongoing.

During the year, three separate warehouses were closed and consolidated into one location operated by a third party logistics provider. In addition, all administrative and customer services activities were merged and relocated into the Daventry offices. These changes gave rise to one-off restructuring costs of **£1,091,525**.

As a result, the loss for the year after taxation amounted to **£1,072,667**.

During the year, new shares were issued in the business for a value of **£5,893,190**. This left shareholder funds in the business as at December 31 2004 of **£3,997,098** (2003 **£(823,425)**). This includes cash at bank and in hand of **£2,193,539**.

Directors

The directors who served during the year were:

B Buffat

H-J Enzingmueller (resigned 31 August 2004)

Dr J G Garland (appointed 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

29 March 2005

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 judgments 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 2004 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leicester, UK
30 March 2005



PKF
Registered Auditors

SAF OERLIKON UK LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2004

	Notes	2004 £	2003 £
TURNOVER	2	14,925,418	3,489,156
Change in stocks of finished goods and work in progress		2,820,761	(558,857)
Other operating income		-	175
Raw materials and consumables		(14,143,124)	(2,640,877)
Staff costs	5	(1,338,508)	(541,930)
Depreciation and amortisation		(151,548)	(43,052)
Other operating charges		(1,852,503)	(602,391)
OPERATING PROFIT/(LOSS)	3	260,496	(897,776)
Reorganisation and restructuring costs		(1,091,525)	-
		(831,029)	(897,776)
Interest receivable and similar income		8,144	10,775
Interest payable and similar charges	6	(249,782)	(115,349)
LOSS FOR THE FINANCIAL YEAR		(1,072,667)	(1,002,350)

It has not been possible to split out the results between the continuing operations and those acquired during the year.

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 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Intangible	8	1,268,625	264,382
Tangible	9	205,914	114,844
		<u>1,474,539</u>	<u>379,226</u>
CURRENT ASSETS			
Stocks	10	3,495,591	674,830
Debtors	11	4,054,299	1,378,070
Cash at bank and in hand		2,193,539	562,597
		<u>9,743,429</u>	<u>2,615,497</u>
CREDITORS: amounts falling due within one year	12	<u>(4,820,870)</u>	<u>(912,950)</u>
NET CURRENT ASSETS		<u>4,922,559</u>	<u>1,702,547</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>6,397,098</u>	<u>2,081,773</u>
CREDITORS: amounts falling due after more than one year	13	<u>(2,400,000)</u>	<u>(2,905,198)</u>
NET ASSETS/(LIABILITIES)		<u><u>3,997,098</u></u>	<u><u>(823,425)</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	6,843,190	950,000
Profit and loss account	16	(2,846,092)	(1,773,425)
SHAREHOLDERS' FUNDS	17	<u><u>3,997,098</u></u>	<u><u>(823,425)</u></u>

The financial statements were approved by the board on 29 March 2005

Signed on behalf of the board of directors

Dr J G Garland

Director

SAF OERLIKON UK LIMITED
CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2004

	2004 £	2003 £
Reconciliation of operating profit/(loss) to net cash (outflow)/inflow from operating activities		
Operating profit/(loss)	260,496	(897,776)
Amortisation of intangible assets	10,760	16,140
Depreciation of tangible fixed assets	140,788	28,609
Profit on sale of fixed assets	-	(1,697)
(Increase)/decrease in debtors	(345,823)	164,084
(Increase)/decrease in stocks	(199,058)	558,856
(Decrease)/increase in creditors	(200,353)	378,664
Reorganisation and restructuring costs	(759,089)	-
Net cash (outflow)/inflow from operating activities	(1,092,279)	246,880
 CASH FLOW STATEMENT (note 18)		
Net cash (outflow)/inflow from operating activities	(1,092,279)	246,880
Returns on investments and servicing of finance	(241,638)	(104,574)
Capital expenditure	(2,898,331)	1,031
	(4,232,248)	143,337
Financing	5,863,190	(44,049)
Increase in cash	1,630,942	99,288
 Reconciliation of net cash flow to movement in net funds (note 19)		
Increase in cash in the year	1,630,942	99,288
Cashflow from decrease in debt and hire purchase financing	30,000	44,049
Change in net funds	1,660,942	143,337
Net funds at 1 January 2004	520,589	377,252
Net funds at 31 December 2004	2,181,531	520,589

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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. Income is recognised at the point of despatch.

(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.

(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.

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

1 ACCOUNTING POLICIES (continued)

(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:

	2004 £	2003 £
United Kingdom	11,793,000	3,465,933
European Union	1,362,000	23,223
North America	1,096,000	-
Other	674,418	-
Total	<u>14,925,418</u>	<u>3,489,156</u>

3 OPERATING PROFIT/(LOSS)

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

	2004 £	2003 £
Amortisation of intangible assets	10,760	16,140
Depreciation of tangible fixed assets:		
- owned by the company	140,788	28,609
Audit fees	8,000	5,750
Operating lease rentals:		
- plant & machinery	4,550	7,260
- other	98,400	68,343
Loss on disposal of tangible fixed assets	-	(1,697)
	<u> </u>	<u> </u>

The re-organisation and restructuring costs of £1,091,525 relate to the costs of restructuring the business following the acquisition of the trade and assets from Oerlikon Limited

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2004	2003
	£	£
Directors' emoluments	109,045	47,356
Contributions to money purchase pension schemes	19,800	6,188
	<u>128,845</u>	<u>53,544</u>
The number of directors accruing benefits under pension schemes were:		
	No	No
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

5 STAFF COSTS

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

	2004	2003
	£	£
Wages and salaries	1,132,619	471,293
Social security costs	130,718	52,323
Other pension costs	75,171	18,314
	<u>1,338,508</u>	<u>541,930</u>

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

	No	No
Sales and distribution	24	10
Administration and management	21	11
	<u>45</u>	<u>21</u>

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank loans and overdrafts	1,218	3,432
Interest payable to group companies	248,564	102,432
Finance charges under finance lease and hire purchase contracts	-	3,992
Exchange differences	-	5,493
	<u>249,782</u>	<u>115,349</u>

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

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 30%. The differences are explained below:

	2004 £	2003 £
Loss on ordinary activities before tax	<u>(1,072,667)</u>	<u>(1,002,350)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 19%)	(321,800)	(190,447)
Effects of:		
Depreciation charged in excess of capital allowances	42,148	1,363
Expenses disallowed	78,539	4,504
(Decrease)/increase in general provisions	7,177	(5)
Effect of losses carried forward	<u>193,936</u>	<u>184,585</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

The company has unutilised tax losses amounting to £2,353,000 (2003 £1,711,000).

8 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 January 2004	327,862
Additions	1,268,625
Written off on reorganisation	<u>(327,862)</u>
At 31 December 2004	<u>1,268,625</u>
Amortisation	
At 1 January 2004	63,480
Charge for the year	10,760
Written off on reorganisation	<u>(74,240)</u>
At 31 December 2004	<u>-</u>
Net book amount	
At 31 December 2004	<u>1,268,625</u>
At 31 December 2003	<u>264,382</u>

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant, machinery and office equipment £	Motor vehicles £	Total £
Cost				
At 1 January 2004	99,519	383,613	-	483,132
Additions	-	310,672	-	310,672
Disposals	-	(79,290)	-	(79,290)
At 31 December 2004	<u>99,519</u>	<u>614,995</u>	<u>-</u>	<u>714,514</u>
Depreciation				
At 1 January 2004	5,400	362,888	-	368,288
Charge for year	1,200	139,588	-	140,788
On disposals	-	(476)	-	(476)
At 31 December 2004	<u>6,600</u>	<u>502,000</u>	<u>-</u>	<u>508,600</u>
Net book amount				
At 31 December 2004	<u>92,919</u>	<u>112,995</u>	<u>-</u>	<u>205,914</u>
At 31 December 2003	<u>94,119</u>	<u>20,725</u>	<u>-</u>	<u>114,844</u>

10 STOCKS

	2004 £	2003 £
Finished goods	<u>3,495,591</u>	<u>674,830</u>

11 DEBTORS

	2004 £	2003 £
Due within one year		
Trade debtors	4,010,036	1,165,166
Amounts due from group undertakings	4,186	-
Other debtors	40,000	179,631
Prepayments & accrued income	77	33,273
	<u>4,054,299</u>	<u>1,378,070</u>

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

12 CREDITORS

	2004 £	2003 £
Amounts falling due within one year		
Bank loans (note 14)	12,008	30,000
Trade creditors	1,332,898	391,981
Amounts owed to group undertakings	2,676,825	283,442
Other tax and social security	132,929	122,546
Accruals and deferred income	666,210	84,981
	<u>4,820,870</u>	<u>912,950</u>

13 CREDITORS

	2004 £	2003 £
Amounts falling due after more than one year		
Bank loans (note 14)	-	12,008
Amounts owed to group undertakings	2,400,000	2,893,190
	<u>2,400,000</u>	<u>2,905,198</u>

14 LOANS

Loans fall due for payment as follows:

	2004 £	2003 £
Bank loans		
Within one year	12,008	30,000
Between one and two years	-	12,008
	<u>12,008</u>	<u>42,008</u>

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

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

15 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2004			
Ordinary shares of £1 each	1,700,000	950,000	950,000
Movements in year:			
Redeemable Ordinary shares of £1 each	5,893,190	5,893,190	5,893,190
	<u>5,893,190</u>	<u>5,893,190</u>	<u>5,893,190</u>
At 31 December 2004			
Equity shares			
Ordinary shares of £1 each	1,700,000	950,000	950,000
Non-Equity shares			
Redeemable Ordinary shares of £1 each	5,893,190	5,893,190	5,893,190
	<u>7,593,190</u>	<u>7,593,190</u>	<u>7,593,190</u>

During the year 5,893,190 redeemable ordinary shares with an aggregate nominal value of £5,893,190 were issued for cash at par.

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.

16 RESERVES

	£
Profit and loss account	
At 1 January 2004	(1,773,425)
Loss for the year	(1,072,667)
At 31 December 2004	<u>(2,846,092)</u>

17 SHAREHOLDERS' FUNDS

	2004 £	2003 £
Shareholders' funds at 1 January 2004	(823,425)	178,925
Loss for the year	(1,072,667)	(1,002,350)
Other movements:		
New shares issued	5,893,190	-
Shareholders' funds at 31 December 2004	<u>3,997,098</u>	<u>(823,425)</u>

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

18 GROSS CASH FLOWS

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest received	8,144	10,775
Interest paid	(249,782)	(111,357)
Interest element of finance lease rentals	-	(3,992)
	<u>(241,638)</u>	<u>(104,574)</u>
Capital expenditure		
Payments to acquire the trade and assets of Oerlikon Limited	(2,850,000)	-
Payments to acquire tangible fixed assets	(48,331)	(1,469)
Receipts from sales of tangible fixed assets	-	2,500
	<u>(2,898,331)</u>	<u>1,031</u>
Financing		
Issue of share capital	5,893,190	-
Loans repaid	(30,000)	(30,000)
Capital element of finance lease rentals	-	(14,049)
	<u>5,863,190</u>	<u>(44,049)</u>

19 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 2004 £	Cash flows £	Other changes £	At 31 December 2004 £
Cash at bank and in hand	562,597	1,630,942	-	2,193,539
Debt due within 1 year	(30,000)	17,992	-	(12,008)
Debt due after 1 year	(12,008)	12,008	-	-
Total	<u>520,589</u>	<u>1,660,942</u>	<u>-</u>	<u>2,181,531</u>

20 OTHER COMMITMENTS

At 31 December 2004 the company had annual commitments under operating leases as follows:

	Land and buildings 2004 £	2003 £	Other 2004 £	2003 £
Expiry date:				
Within one year	-	-	78,791	6,463
Between one and five years	-	-	61,666	54,730
After more than five years	68,500	68,500	-	-
	<u>68,500</u>	<u>68,500</u>	<u>-</u>	<u>-</u>

SAF OERLIKON UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2004

21 TRANSACTIONS WITH RELATED PARTIES

As SAF Oerlikon UK Limited is wholly owned by Air Liquide Welding SA, 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.

22 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.

23 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

In the opinion of the directors, the ultimate parent company is Air Liquide SA, 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 SA.