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Company No: 1994660

SAF WELDING PRODUCTS LIMITED

Annual Report

Year ended 31 December 2001



PKF

PKF
PANNELL HOUSE
159 CHARLES STREET
LEICESTER LE1 1LD

SAF WELDING PRODUCTS LIMITED

COMPANY INFORMATION

| | |
|--------------------------|------------------------------------------------------------------------------|
| Directors | J Fere G Missiaen W Spray |
| Secretary | C Boundy |
| Company Number | 1994660 |
| Registered Office | 25 North Row London W1R 1DJ |
| Auditors | PKF Pannell House 159 Charles Street Leicester LE1 1LD |
| Bankers | HSBC Bank plc 29 Bowen Square Daventry Northamptonshire NN11 4ER |

SAF WELDING PRODUCTS LIMITED

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SAF WELDING PRODUCTS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2001

The directors submit their report and the consolidated financial statements for the year ended 31 December 2001.

Results and dividends

The loss for the year, after taxation, amounted to **£296,662** (2000 - £12,217).

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 subsidiary undertakings are dormant.

The directors are disappointed with the results for the year which are attributable to the difficult market conditions prevailing during the year. The directors believe that the company is well placed to take advantage of any upturn in the market.

Directors

The directors who served during the year were:

J Fere
G Missiaen
W Spray

The directors had no interests in the shares of the company at any time during the year.

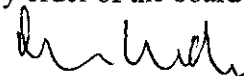
The directors had interests in the shares of other group companies at the beginning and end of the year as follows:

| | |
|-------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| J Fere: | 156 (2001: 68) shares in L'Air Liquide, France. |
| G Missiaen: | 70 (2001: 70) shares in L'Air Liquide, France, 1 (2001: 1) share in Safmatic, France, 5 (2001: 5) shares in Fresa, France, 1 (2001: 1) share in SAF Belux, Belgium and 1 (2001: 1) share in SAF, France. |
| W Spray: | 68 (2001: 35) shares in L'Air Liquide, France. |

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



C Boundy
Secretary

24 September 2002

SAF WELDING PRODUCTS 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 group and of the profit or loss of the group 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 the group 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 group 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 SHAREHOLDERS OF
SAF WELDING PRODUCTS LIMITED**

We have audited the financial statements of SAF Welding Products Limited for the year ended 31 December 2001 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 and group'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 (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 December 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Leicester, UK
24 September 2002



PKF
Registered Auditors

SAF WELDING PRODUCTS LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2001

| | Notes | 2001 £ | 2000 £ |
|---------------------------------------------------------|----------|------------------|------------------|
| TURNOVER | 2 | 4,428,405 | 5,057,224 |
| Change in stocks of finished goods and work in progress | | (254,704) | 700,658 |
| Other operating income | | 18,978 | - |
| Raw materials and consumables | | (2,907,601) | (4,120,056) |
| Staff costs | 5 | (652,151) | (748,022) |
| Depreciation and amortisation | | (63,389) | (84,757) |
| Other operating charges | | (710,471) | (648,517) |
| OPERATING (LOSS)/PROFIT | 3 | (140,933) | 156,530 |
| Interest receivable and similar income | | 995 | 1,036 |
| Interest payable and similar charges | 6 | (156,428) | (164,677) |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (296,366) | (7,111) |
| TAXATION | 7 | (296) | (5,106) |
| LOSS FOR THE FINANCIAL YEAR | | (296,662) | (12,217) |

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 WELDING PRODUCTS LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2001

| | Notes | 2001 £ | 2000 £ |
|----------------------------------------------------------------|-------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Intangible | 8 | 297,227 | 312,827 |
| Tangible | 9 | 170,135 | 200,046 |
| | | <u>467,362</u> | <u>512,873</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 1,518,317 | 1,773,021 |
| Debtors | 12 | 2,538,323 | 2,378,556 |
| Cash at bank and in hand | | 4,410 | 4,147 |
| | | <u>4,061,050</u> | <u>4,155,724</u> |
| CREDITORS: amounts falling due within one year | 13 | <u>(3,756,995)</u> | <u>(3,562,578)</u> |
| NET CURRENT ASSETS | | <u>304,055</u> | <u>593,146</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>771,417</u> | <u>1,106,019</u> |
| CREDITORS: amounts falling due after more than one year | | | |
| | 14 | <u>(85,243)</u> | <u>(123,183)</u> |
| NET ASSETS | | <u><u>686,174</u></u> | <u><u>982,836</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 950,000 | 950,000 |
| Profit and loss account | 18 | (263,826) | 32,836 |
| SHAREHOLDERS' FUNDS | 19 | <u><u>686,174</u></u> | <u><u>982,836</u></u> |

The financial statements were approved by the board on 24 September 2002

Signed on behalf of the board of directors



W Spray

Director

SAF WELDING PRODUCTS LIMITED

BALANCE SHEET 31 DECEMBER 2001

| | Notes | 2001 £ | 2000 £ |
|----------------------------------------------------------------|-------|-----------------------|-----------------------|
| FIXED ASSETS | | | |
| Tangible | 9 | 170,135 | 200,046 |
| Investments | 10 | 818,850 | 834,450 |
| | | <u>988,985</u> | <u>1,034,496</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 1,518,317 | 1,773,021 |
| Debtors | 12 | 2,538,323 | 2,378,556 |
| Cash at bank and in hand | | 4,410 | 4,147 |
| | | <u>4,061,050</u> | <u>4,155,724</u> |
| CREDITORS: amounts falling due within one year | 13 | <u>(4,278,618)</u> | <u>(4,084,201)</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(217,568)</u> | <u>71,523</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>771,417</u> | <u>1,106,019</u> |
| CREDITORS: amounts falling due after more than one year | 14 | <u>(85,243)</u> | <u>(123,183)</u> |
| NET ASSETS | | <u><u>686,174</u></u> | <u><u>982,836</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 17 | 950,000 | 950,000 |
| Profit and loss account | 18 | (263,826) | 32,836 |
| | | <u>686,174</u> | <u>982,836</u> |

The financial statements were approved by the board on 24 September 2002

Signed on behalf of the board of directors



W Spray Director

SAF WELDING PRODUCTS LIMITED
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2001

| | 2001 £ | 2000 £ |
|-----------------------------------------------------------------------------------------------|------------------|------------------|
| Reconciliation of operating (loss)/profit to net cash inflow from operating activities | | |
| Operating (loss)/profit | (140,933) | 156,530 |
| Amortisation of intangible assets | 15,600 | 15,600 |
| Depreciation of tangible fixed assets | 47,826 | 55,884 |
| (Profit)/loss on sale of fixed assets | (37) | 13,274 |
| (Increase)/decrease in debtors | (160,063) | 36,457 |
| Decrease/(increase) in stocks | 254,704 | (266,490) |
| Increase in creditors | 230,425 | 798,862 |
| Net cash inflow from operating activities | 247,522 | 810,117 |
| CASH FLOW STATEMENT (note 20) | | |
| Net cash inflow from operating activities | 247,522 | 810,117 |
| Returns on investments and servicing of finance | (155,433) | (163,641) |
| Taxation | - | (126,254) |
| Capital expenditure | (2,878) | 34,501 |
| Acquisitions and disposals | - | (833,136) |
| Financing | 89,211 | (278,413) |
| | (28,618) | 92,294 |
| Increase/(decrease) in cash | 60,593 | (186,119) |
| Reconciliation of net cash flow to movement in net debt (note 21) | | |
| Increase/(decrease) in cash in the year | 60,593 | (186,119) |
| New loans | - | (103,171) |
| Cashflow from decrease in debt and hire purchase financing | 13,618 | (22,338) |
| Change in net debt | 74,211 | (311,628) |
| Net debt at 1 January 2001 | (358,315) | (46,687) |
| Net debt at 31 December 2001 | (284,104) | (358,315) |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

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 consolidated financial statements comprise the audited financial statements of the company and its subsidiary undertakings made up to 31 December 2001.

A separate profit and loss account for the parent company has not been prepared as permitted by Section 230(2) of the Companies Act 1985. The loss for the financial year of the parent company was **£296,662** (2000 - £12,217).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the group, 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 and operating leases

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.

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

(f) 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, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES (continued)

(g) 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.

(h) 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.

The company previously accounted for deferred tax using the liability method on all timing differences which were expected to reverse in the foreseeable future.

(i) 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:

| | 2001 £ | 2000 £ |
|----------------|------------------|------------------|
| United Kingdom | 4,398,885 | 5,041,199 |
| European Union | 29,520 | 16,025 |
| Total | <u>4,428,405</u> | <u>5,057,224</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

3 OPERATING (LOSS)/PROFIT

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

| | 2001 | 2000 |
|-------------------------------------------------------|-------------------|-------------------|
| | £ | £ |
| Amortisation of intangible assets | 15,600 | 15,600 |
| Depreciation of tangible fixed assets: | | |
| - owned by the group | 42,574 | 51,882 |
| - held under finance lease or hire purchase contracts | 5,252 | 4,002 |
| Audit fees | 5,600 | 5,600 |
| Operating lease rentals: | | |
| - plant & machinery | 7,781 | 7,251 |
| - other | 76,604 | 73,625 |
| (Profit)/loss on disposal of tangible fixed assets | (37) | 13,274 |
| | <u> </u> | <u> </u> |

4 DIRECTORS' EMOLUMENTS AND BENEFITS

| | 2001 | 2000 |
|-------------------------------------------------|-------------------|-------------------|
| | £ | £ |
| Directors' emoluments | 51,813 | 57,231 |
| Contributions to money purchase pension schemes | 4,500 | 4,235 |
| | <u> </u> | <u> </u> |

The number of directors accruing benefits under pension schemes were:

| | No | No |
|-------------------------|-------------------|-------------------|
| Defined benefit schemes | 1 | 1 |
| | <u> </u> | <u> </u> |

5 STAFF COSTS

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

| | 2001 | 2000 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 562,305 | 665,071 |
| Social security costs | 62,707 | 63,297 |
| Other pension costs | 27,139 | 19,654 |
| | <u>652,151</u> | <u>748,022</u> |

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

| | No | No |
|-------------------------------|-----------|-----------|
| Sales and distribution | 14 | 15 |
| Administration and management | 16 | 17 |
| | <u>30</u> | <u>32</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

6 INTEREST PAYABLE AND SIMILAR CHARGES

| | 2001 | 2000 |
|-----------------------------------------------------------------|----------------|----------------|
| | £ | £ |
| Bank loans and overdrafts | 12,948 | 12,045 |
| Interest payable to group companies | 136,934 | 143,683 |
| Finance charges under finance lease and hire purchase contracts | 6,457 | 6,149 |
| Other interest | 89 | 2,800 |
| | <u>156,428</u> | <u>164,677</u> |

7 TAXATION

| | 2001 | 2000 |
|-----------------------------------------|------------|--------------|
| | £ | £ |
| UK corporation tax | | |
| Current tax on income for the year | - | (1,591) |
| Adjustments in respect of prior periods | 296 | 6,697 |
| Total UK taxation | <u>296</u> | <u>5,106</u> |

8 INTANGIBLE FIXED ASSETS

Group

| | Goodwill £ |
|-------------------------------------------|----------------|
| Cost | |
| At 1 January 2001 and 31 December 2001 | <u>328,427</u> |
| Amortisation | |
| At 1 January 2001 | 15,600 |
| Charge for the year | 15,600 |
| At 31 December 2001 | <u>31,200</u> |
| Net book amount | |
| At 31 December 2001 | <u>297,227</u> |
| At 31 December 2000 | <u>312,827</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

9 TANGIBLE FIXED ASSETS

Group and Company

| | Freehold land and buildings £ | Plant, machinery and office equipment £ | Motor vehicles £ | Total £ |
|------------------------|----------------------------------------|-----------------------------------------------------|------------------------|----------------|
| Cost | | | | |
| At 1 January 2001 | 99,519 | 472,186 | 54,136 | 625,841 |
| Additions | - | 21,802 | - | 21,802 |
| Disposals | - | - | (16,334) | (16,334) |
| At 31 December 2001 | <u>99,519</u> | <u>493,988</u> | <u>37,802</u> | <u>631,309</u> |
| Depreciation | | | | |
| At 1 January 2001 | - | 385,626 | 40,169 | 425,795 |
| Charge for year | 1,800 | 39,134 | 6,892 | 47,826 |
| On disposals | - | - | (12,447) | (12,447) |
| At 31 December 2001 | <u>1,800</u> | <u>424,760</u> | <u>34,614</u> | <u>461,174</u> |
| Net book amount | | | | |
| At 31 December 2001 | <u>97,719</u> | <u>69,228</u> | <u>3,188</u> | <u>170,135</u> |
| At 31 December 2000 | <u>99,519</u> | <u>86,560</u> | <u>13,967</u> | <u>200,046</u> |

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

| | 2001 £ | 2000 £ |
|---------------------|---------------|--------------|
| Fixtures & fittings | 13,750 | - |
| Motor vehicles | 2,668 | 6,670 |
| | <u>16,418</u> | <u>6,670</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

10 FIXED ASSET INVESTMENTS

Company

| | Shares in subsidiary undertakings £ |
|-------------------------------------------|----------------------------------------------|
| Cost | |
| At 1 January 2001 and 31 December 2001 | 850,050 |
| Provisions | |
| At 1 January 2001 | 15,600 |
| Charge to profit and loss | 15,600 |
| At 31 December 2001 | 31,200 |
| Net book amount | |
| At 31 December 2001 | 818,850 |
| At 31 December 2000 | 834,450 |

Details of subsidiary undertakings are given in note 25.

11 STOCKS

| | Group | | Company | |
|----------------|--------------|-----------|----------------|-----------|
| | 2001 £ | 2000 £ | 2001 £ | 2000 £ |
| Finished goods | 1,518,317 | 1,773,021 | 1,518,317 | 1,773,021 |

12 DEBTORS

| | Group | | Company | |
|----------------------------------------|--------------|-----------|----------------|-----------|
| | 2001 £ | 2000 £ | 2001 £ | 2000 £ |
| Due within one year | | | | |
| Trade debtors | 2,486,040 | 2,272,944 | 2,486,040 | 2,272,944 |
| Amounts due from group undertakings | 2,433 | 2,985 | 2,433 | 2,985 |
| Other debtors | 6,876 | 52,321 | 6,876 | 52,321 |
| Prepayments & accrued income | 42,974 | 50,306 | 42,974 | 50,306 |
| | 2,538,323 | 2,378,556 | 2,538,323 | 2,378,556 |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

13 CREDITORS

| | Group | | Company | |
|--------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £ | £ | £ | £ |
| Amounts falling due within one year | | | | |
| Bank loans and overdrafts (note 15) | 179,469 | 219,099 | 179,469 | 219,099 |
| Trade creditors | 228,360 | 322,835 | 228,360 | 322,835 |
| Amounts owed to group undertakings | 3,086,115 | 2,760,657 | 3,607,738 | 3,282,280 |
| Other tax and social security | 180,590 | 150,668 | 180,590 | 150,668 |
| Net obligations under finance lease and hire purchase contracts(note 16) | 23,802 | 20,180 | 23,802 | 20,180 |
| Accruals and deferred income | 58,659 | 89,139 | 58,659 | 89,139 |
| | <u>3,756,995</u> | <u>3,562,578</u> | <u>4,278,618</u> | <u>4,084,201</u> |

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

14 CREDITORS

| | Group | | Company | |
|--------------------------------------------------------------------------|----------------------|-----------------------|----------------------|-----------------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £ | £ | £ | £ |
| Amounts falling due after more than one year | | | | |
| Bank loans (note 15) | 71,939 | 95,671 | 71,939 | 95,671 |
| Net obligations under finance lease and hire purchase contracts(note 16) | 13,304 | 27,512 | 13,304 | 27,512 |
| | <u>85,243</u> | <u>123,183</u> | <u>85,243</u> | <u>123,183</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

15 LOANS

Loans fall due for payment as follows:

| | Group | | Company | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £ | £ | £ | £ |
| Bank loans | | | | |
| Within one year | 28,200 | 7,500 | 28,200 | 7,500 |
| Between one and two years | 28,200 | 30,000 | 28,200 | 30,000 |
| Between two and five years | 43,739 | 65,671 | 43,739 | 65,671 |
| | <u>100,139</u> | <u>103,171</u> | <u>100,139</u> | <u>103,171</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.

16 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows:

| | Group | | Company | |
|----------------------------|---------------|---------------|----------------|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £ | £ | £ | £ |
| Within one year | 23,802 | 20,180 | 23,802 | 20,180 |
| Between two and five years | 13,304 | 27,512 | 13,304 | 27,512 |
| | <u>37,106</u> | <u>47,692</u> | <u>37,106</u> | <u>47,692</u> |

Finance lease and hire purchase creditors are secured on the assets concerned.

17 SHARE CAPITAL

| | Authorised | Allotted, called up and fully paid | |
|----------------------------|-------------------|-------------------------------------------|----------------|
| | £ | No | £ |
| At 1 January 2001 | | | |
| and 31 December 2001 | | | |
| Ordinary shares of £1 each | <u>1,700,000</u> | <u>950,000</u> | <u>950,000</u> |

18 RESERVES

| | Group | Company |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Profit and loss account | | |
| At 1 January 2001 | 32,836 | 32,836 |
| Loss for the year | (296,662) | (296,662) |
| At 31 December 2001 | <u>(263,826)</u> | <u>(263,826)</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2001

19 SHAREHOLDERS' FUNDS

| | 2001 £ | 2000 £ |
|-----------------------------------------|----------------|----------------|
| Shareholders' funds at 1 January 2001 | 982,836 | 995,053 |
| Loss for the year | (296,662) | (12,217) |
| Shareholders' funds at 31 December 2001 | <u>686,174</u> | <u>982,836</u> |

20 GROSS CASH FLOWS

| | 2001 £ | 2000 £ |
|--------------------------------------------------------|------------------|------------------|
| Returns on investments and servicing of finance | | |
| Interest received | 995 | 1,036 |
| Interest paid | (149,971) | (158,528) |
| Interest element of finance lease rentals | (6,457) | (6,149) |
| | <u>(155,433)</u> | <u>(163,641)</u> |
| Capital expenditure | | |
| Payments to acquire tangible fixed assets | (6,802) | (9,225) |
| Receipts from sales of tangible fixed assets | 3,924 | 43,726 |
| | <u>(2,878)</u> | <u>34,501</u> |
| Acquisitions and disposals | | |
| Payments to acquire subsidiary | - | (680,040) |
| Cash acquired with subsidiary | - | 102,595 |
| Bank overdraft acquired with subsidiary | - | (255,691) |
| | <u>-</u> | <u>(833,136)</u> |
| Financing | | |
| New loans | - | 103,171 |
| Loans repaid | (3,032) | - |
| Capital element of finance lease rentals | (25,586) | (10,877) |
| | <u>(28,618)</u> | <u>92,294</u> |

SAF WELDING PRODUCTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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21 ANALYSIS OF CHANGES IN NET DEBT

| | At 1 January 2001 £ | Cash flows £ | Other changes £ | At 31 December 2001 £ |
|--------------------------|---------------------------|--------------------|-----------------------|-----------------------------|
| Cash at bank and in hand | 4,147 | 263 | - | 4,410 |
| Overdrafts | (211,599) | 60,330 | - | (151,269) |
| | | 60,593 | | |
| Debt due within 1 year | (7,500) | (20,700) | - | (28,200) |
| Debt due after 1 year | (95,671) | 23,732 | - | (71,939) |
| Finance leases | (47,692) | 10,586 | - | (37,106) |
| Total | <u>(358,315)</u> | <u>74,211</u> | <u>-</u> | <u>(284,104)</u> |

22 OTHER COMMITMENTS

At 31 December 2001 the company and the group had annual commitments under operating leases as follows:

| | Land and buildings | | Other | |
|----------------------------|--------------------|-----------|-----------|-----------|
| | 2001 £ | 2000 £ | 2001 £ | 2000 £ |
| Expiry date: | | | | |
| Between one and five years | - | - | 65,031 | 61,560 |
| After more than five years | 64,000 | 64,000 | - | - |

23 TRANSACTIONS WITH RELATED PARTIES

As SAF Welding Products Limited is wholly owned by L'Air Liquide group and the consolidated accounts of L'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.

24 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.

SAF WELDING PRODUCTS LIMITED
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25 SUBSIDIARY UNDERTAKINGS

SAF Welding Products Limited owns 100% of the issued share capital of the following:

| Name | Country of incorporation | Nature of business | Shareholders' funds/(deficit) | Profit for the year |
|--------------------------------------------|-------------------------------------|-------------------------------|------------------------------------------|--------------------------------|
| Welding Supplies (Sheffield) Limited | Great Britain | Dormant | £429,763 | £NIL |
| Carbon & Allied Products (UK) Limited | Great Britain | Dormant | £107,545 | £NIL |
| Meredeem Limited | Great Britain | Dormant | £(9,120) | £NIL |
| Welding Supplies (Chesterfield) Limited | Great Britain | Dormant | £2 | £NIL |

26 PARENT UNDERTAKING AND CONTROLLING PARTY

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