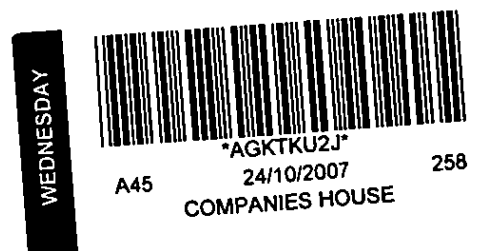


Leengate Industrial & Welding Supplies Limited

Directors' report and financial statements

for the period ended 31 December 2006

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



Leengate Industrial & Welding Supplies Limited

Company information

Directors	R C Godley M J Giles P R Dixon	Appointed 06/10/06
Secretary	R C Godley	
Company number	2350403	
Registered office	Redfield Road Lenton Nottingham NG7 2UJ	
Registered Auditors	Hobsons Chartered Accountants Alexandra House 43 Alexandra Street Nottingham NG5 1AY	
Bankers	National Westminster Bank plc Smiths Bank 16 South Parade Nottingham NG1 2JX	

Leengate Industrial & Welding Supplies Limited

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Leengate Industrial & Welding Supplies Limited

Directors' report for the period ended 31 December 2006

The directors present their report and the financial statements for the period ended 31 December 2006

Principal activity and review of the business

The principal activity of the company in the year under review was that of suppliers and repairers of welding equipment in conjunction with the supply of associated welding products

The directors are satisfied with the results for the period and with the financial position of the company at the year end. The directors do not expect there to be any major changes in this regard in the forthcoming year. The directors are of the opinion that an understanding of the development and performance of the business is evident from these financial statements and that analysis using key performance indicators is not necessary for this understanding. The directors have concluded that this is a reasonable view having regard to the size and complexity of the business.

Results and dividends

The results for the period are set out on page 5

The directors do not recommend payment of a final dividend

Directors and their interests

The directors who served during the period and their interests in the company are as stated below

	Class of share	31/12/06	01/10/05
R C Godley	Ordinary shares	-	-
M J Giles	Ordinary shares	1,000	1,000
P R Dixon	Appointed 06/10/06 Ordinary shares	-	-

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these the directors are required to

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Leengate Industrial & Welding Supplies Limited

**Directors' report
for the period ended 31 December 2006**

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice

Statement as to disclosure of information to auditors

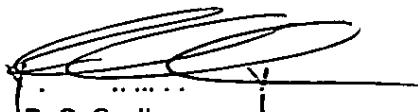
In so far as the directors are aware

- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

Registered Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Hobsons be reappointed as auditors of the company will be put to the Annual General Meeting

This report was approved by the Board on 21-9-2007 and signed on its behalf by


R C Godley
Secretary

Leengate Industrial & Welding Supplies Limited

**Independent auditors' report to the shareholders of
Leengate Industrial & Welding Supplies Limited**

We have audited the financial statements of Leengate Industrial & Welding Supplies Limited for the period ended 31 December 2006 set out on pages 5 to 16. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Leengate Industrial & Welding Supplies Limited

Independent auditors' report to the shareholders of Leengate Industrial & Welding Supplies 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 2006 and of its profit for the period then ended, and

- 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 for the period ended 31 December 2006

A handwritten signature in black ink, appearing to read 'Hobsons', with a long horizontal flourish extending to the right.

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

21 September 2007

Leengate Industrial & Welding Supplies Limited

**Profit and loss account
for the period ended 31 December 2006**

		Continuing operations	
		Period ended 31/12/06	Year ended 30/09/05
	Notes	£	£
Turnover	2	2,321,359	1,939,874
Cost of sales		(1,682,886)	(1,421,946)
Gross profit		<u>638,473</u>	<u>517,928</u>
Administrative expenses		(603,729)	(468,131)
Operating profit	3	<u>34,744</u>	<u>49,797</u>
Interest payable and similar charges	4	(16,269)	(12,594)
Profit on ordinary activities before taxation		<u>18,475</u>	<u>37,203</u>
Tax on profit on ordinary activities	7	(9,119)	(13,361)
Profit on ordinary activities after taxation		<u>9,356</u>	<u>23,842</u>
Retained profit brought forward		<u>79,936</u>	<u>56,094</u>
Retained profit carried forward		<u><u>89,292</u></u>	<u><u>79,936</u></u>

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


The notes on pages 8 to 16 form an integral part of these financial statements

Leengate Industrial & Welding Supplies Limited

**Balance sheet
as at 31 December 2006**

		31/12/06		30/09/05	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	8		43,437		55,625
Tangible assets	9		101,381		76,381
			<u>144,818</u>		<u>132,006</u>
Current assets					
Stocks	10	184,847		236,269	
Debtors	11	440,508		524,515	
Cash at bank and in hand		576		415	
		<u>625,931</u>		<u>761,199</u>	
Creditors amounts falling due within one year	12	<u>(551,426)</u>		<u>(693,355)</u>	
Net current assets			<u>74,505</u>		<u>67,844</u>
Total assets less current liabilities			219,323		199,850
Creditors amounts falling due after more than one year	13		(120,031)		(109,914)
Net assets			<u>99,292</u>		<u>89,936</u>
Capital and reserves					
Called up share capital	14		10,000		10,000
Profit and loss account			89,292		79,936
Equity shareholders' funds	15		<u>99,292</u>		<u>89,936</u>

The financial statements were approved by the Board on 21.9.2007 and signed on its behalf by


R C Godley
Director

The notes on pages 8 to 16 form an integral part of these financial statements

Leengate Industrial & Welding Supplies Limited

**Cash flow statement
for the period ended 31 December 2006**

	Notes	Period ended 31/12/06 £	Year ended 30/09/05 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		34,744	49,797
Depreciation		35,098	26,323
Decrease in stocks		51,422	(11,629)
Decrease in debtors		84,007	(8,331)
(Decrease) in creditors		(153,609)	16,815
Net cash inflow from operating activities		<u>51,662</u>	<u>72,975</u>
Cash flow statement			
Net cash inflow from operating activities		51,662	72,975
Returns on investments and servicing of finance	20	(16,269)	(12,594)
Taxation	20	(8,522)	(5,227)
Capital expenditure	20	(19,591)	(54,012)
		7,280	1,142
Financing	20	(9,914)	(5,082)
Decrease in cash in the period		<u>(2,634)</u>	<u>(3,940)</u>
Reconciliation of net cash flow to movement in net debt (Note 21)			
Decrease in cash in the period		(2,634)	(3,940)
Cash outflow from increase in debts and lease financing		9,914	5,082
Change in net funds resulting from cash flows		7,280	1,142
New finance leases and hire purchase contracts		(28,319)	(15,098)
Movement in net debt in the period		(21,039)	(13,956)
Net debt at 1 October 2005		(310,624)	(296,668)
Net debt at 31 December 2006		<u>(331,663)</u>	<u>(310,624)</u>

Leengate Industrial & Welding Supplies Limited

Notes to the financial statements for the period ended 31 December 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and comply with financial reporting standards of the Accounting Standards Board

The company has consistently applied all relevant accounting standards

1.2 Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year

1.3 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years

1.4 Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows

Land and buildings	-	Straight line over 10 years
Plant and machinery	-	20% reducing balance
Fixtures, fittings and equipment	-	25% straight line
Motor vehicles	-	20% straight line new commercial vehicles/25% reducing balance other motor vehicles

1.5 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period

1.6 Stock

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

Cost comprises purchase price or direct production cost together with attributable production and other overhead

Net realisable value means estimated selling price less all further costs to completion and all costs to be incurred in marketing, selling & distribution

1.7 Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the period

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

1.8 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise

2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the UK

3 Operating profit

	Period ended 31/12/06 £	Year ended 30/09/05 £
Operating profit is stated after charging		
Depreciation and other amounts written off intangible assets	12,188	6,750
Depreciation and other amounts written off tangible assets	23,918	17,239
Operating lease rentals		
- Land and buildings	40,708	31,801
- Motor vehicles	8,559	6,941
Auditors' remuneration	5,025	3,600
	<u> </u>	<u> </u>
and after crediting		
Profit on disposal of tangible fixed assets	<u>1,008</u>	<u>(2,334)</u>

4 Interest payable and similar charges

	Period ended 31/12/06 £	Year ended 30/09/05 £
On amounts payable to group companies	6,795	6,268
Interest payable on loans < 1 yr	7,519	5,196
Hire purchase interest	1,955	1,130
	<u>16,269</u>	<u>12,594</u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

5 Employees

	Period ended 31/12/06 Number	Year ended 30/09/05 Number
Number of employees		
The average monthly numbers of employees (including the directors) during the period were		

Management and sales	<u>11</u>	<u>11</u>
----------------------	-----------	-----------

	31/12/06 £	30/09/05 £
Employment costs		
Wages and salaries	279,091	209,333
Social security costs	28,884	21,885
Pension costs	<u>7,937</u>	<u>6,515</u>
	<u>315,912</u>	<u>237,733</u>

	Period ended 31/12/06 £	Year ended 30/09/05 £
5 1 Directors' emoluments		
Remuneration and other emoluments	54,087	38,160
Pension contributions	<u>1,541</u>	<u>1,232</u>
	<u>55,628</u>	<u>39,392</u>

	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	<u>1</u>	<u>1</u>

6 Pension costs

The company operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £7,937 (2005 - £6,515)

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

7 Tax on profit on ordinary activities

	Period ended 31/12/06 £	Year ended 30/09/05 £
Analysis of charge in period		
Current tax		
UK corporation tax	9,143	12,847
Adjustments in respect of previous periods	(2,857)	514
Amounts payable to fellow subsidiary undertakings in respect of tax saved by group relief	2,833	-
	<u>9,119</u>	<u>13,361</u>

The corporation tax payable for the year ended 2005 has been reduced by £2,833 because of group relief received from fellow subsidiary undertakings for which an amount of £2,833 was paid

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 per cent). The differences are explained below

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>18,475</u>	<u>37,203</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (30 September 2005 30%)	5,543	11,161
Effects of		
Expenses not deductible for tax purposes	682	1,169
Depreciation in excess of capital allowances	2,918	517
Adjustments to tax charge in respect of previous periods	(24)	514
Current tax charge for period	<u>9,119</u>	<u>13,361</u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

8 Intangible fixed assets

	Goodwill £	Total £
Cost		
At 1 October 2005	97,500	97,500
At 31 December 2006	<u>97,500</u>	<u>97,500</u>
Provision for diminution in value		
At 1 October 2005	41,875	41,875
Charge for period	<u>12,188</u>	<u>12,188</u>
At 31 December 2006	<u>54,063</u>	<u>54,063</u>
Net book values		
At 31 December 2006	<u>43,437</u>	<u>43,437</u>
At 30 September 2005	<u>55,625</u>	<u>55,625</u>

9 Tangible fixed assets

	Tenants improvements £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 October 2005	18,832	24,104	25,798	82,775	151,509
Additions	5,415	955	11,392	58,177	75,939
Disposals	-	(1,845)	(3,931)	(59,037)	(64,813)
At 31 December 2006	<u>24,247</u>	<u>23,214</u>	<u>33,259</u>	<u>81,915</u>	<u>162,635</u>
Depreciation					
At 1 October 2005	9,587	15,966	17,591	31,984	75,128
On disposals	-	(1,253)	(2,432)	(34,107)	(37,792)
Charge for the period	<u>2,497</u>	<u>2,054</u>	<u>2,987</u>	<u>16,380</u>	<u>23,918</u>
At 31 December 2006	<u>12,084</u>	<u>16,767</u>	<u>18,146</u>	<u>14,257</u>	<u>61,254</u>
Net book values					
At 31 December 2006	<u>12,163</u>	<u>6,447</u>	<u>15,113</u>	<u>67,658</u>	<u>101,381</u>
At 30 September 2005	<u>9,245</u>	<u>8,138</u>	<u>8,207</u>	<u>50,791</u>	<u>76,381</u>

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

Included above are assets held under finance leases or hire purchase contracts as follows

Asset description	31/12/06		30/09/05	
	Net	Depreciation	Net	Depreciation
	book value £	charge £	book value £	charge £
Motor vehicles	<u>55,404</u>	<u>6,216</u>	<u>25,864</u>	<u>5,096</u>
10 Stocks			31/12/06	30/09/05
			£	£
Finished goods and goods for resale			<u>184,847</u>	<u>236,269</u>
11 Debtors			31/12/06	30/09/05
			£	£
Trade debtors			408,226	498,581
Amounts owed by group undertakings			20,014	12,392
Other debtors			<u>12,268</u>	<u>13,542</u>
			<u>440,508</u>	<u>524,515</u>
12 Creditors amounts falling due within one year			31/12/06	30/09/05
			£	£
Bank overdraft			192,666	189,871
Net obligations under finance leases and hire purchase contracts			19,542	11,254
Trade creditors			215,604	240,125
Amounts owed to group undertaking			84,082	215,901
Corporation tax			9,143	11,379
Other taxes and social security costs			14,619	8,756
Other creditors			<u>15,770</u>	<u>16,069</u>
			<u>551,426</u>	<u>693,355</u>

Bank overdrafts amounting to £192,666 (2005 £189,871) are secured by a charge over the company book debts. In addition Leengate Welding Group Limited, the parent company, has given a guarantee limited to £150,000

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

13	Creditors amounts falling due after more than one year	31/12/06	30/09/05
		£	£
	Amounts owed to group undertakings	100,000	100,000
	Net obligations under finance leases and hire purchase contracts	20,031	9,914
		<u>120,031</u>	<u>109,914</u>
14	Share capital	31/12/06	30/09/05
		£	£
	Authorised equity		
	20,000 Ordinary shares of 1 each	<u>20,000</u>	<u>20,000</u>
	Allotted, called up and fully paid equity		
	10,000 Ordinary shares of 1 each	<u>10,000</u>	<u>10,000</u>
15	Reconciliation of movements in shareholders' funds	31/12/06	30/09/05
		£	£
	Profit for the period	9,356	23,842
	Opening shareholders' funds	<u>89,936</u>	<u>66,094</u>
	Closing shareholders' funds	<u>99,292</u>	<u>89,936</u>

16 Financial commitments

At 31 December 2006 the company had annual commitments under operating leases as follows

	Land and buildings		Other	
	31/12/06	30/09/05	31/12/06	30/09/05
	£	£	£	£
Expiry date				
Within one year	-	-	1,054	-
Between one and five years	<u>31,300</u>	<u>31,300</u>	<u>4,839</u>	<u>6,948</u>
	<u>31,300</u>	<u>31,300</u>	<u>5,893</u>	<u>6,948</u>

17 Contingent liabilities

The company has entered into an agreement with the minority ordinary shareholders whereby upon death, retirement or termination of employment of the shareholders the company (or its parent company) shall repurchase the ordinary shares at a price as determined by the Articles of Association

Leengate Industrial & Welding Supplies Limited

**Notes to the financial statements
for the period ended 31 December 2006**

18 Related party transactions

Related parties	Sales	Purchases	Management & Administration charges
Intermediate parent undertaking	£Nil	£Nil	£43,750
	(30 September 2005 £Nil)	(2005 £Nil)	(2005 £45,000)
Fellow subsidiary undertakings	£48,010	£234,120	£Nil
	(30 September 2005 £26,885)	(2005 £200,672)	(2005 £Nil)

All purchases and sale of goods to group companies are at cost

The company had the following balances with related parties

	2006	2005
Amounts owed by intermediate parent undertaking	£6,699	£6,087
Amounts owed by fellow subsidiary undertakings	£13,315	£6,305
Amounts owed to intermediate parent undertaking	£104,798	£180,739
Amounts owed to fellow subsidiary undertakings	£79,283	£135,161

19 Ultimate parent undertaking

The company is a 90% subsidiary of Leengate Welding Group Ltd, a company registered in England & Wales

The ultimate parent company is Linde AG, Leopoldstrasse 252, 80807 Munich, Germany

Notes to the financial statements
for the period ended 31 December 2006

20 Gross cash flows

	31/12/06	30/09/05
	£	£
Returns on investments and servicing of finance		
Interest paid	(16,269)	(12,594)
Taxation		
Corporation tax paid	(8,522)	(5,227)
Capital expenditure		
Payments to acquire intangible assets	-	(30,000)
Payments to acquire tangible assets	(47,620)	(28,990)
Receipts from sales of tangible assets	28,029	4,978
	(19,591)	(54,012)
Capital element of finance leases and hire purchase contracts	(9,914)	(5,082)

21 Analysis of changes in net funds

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	415	161		576
Overdrafts	(189,871)	(2,795)		(192,666)
	(189,456)	(2,634)		(192,090)
Debt due after one year	(100,000)	-	-	(100,000)
Finance leases and hire purchase contracts	(21,168)	9,914	(28,319)	(39,573)
	(121,168)	9,914	(28,319)	(139,573)
Net funds	(310,624)	7,280	(28,319)	(331,663)