

Annual Report
Leengate Industrial & Welding
Supplies Limited

2012

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Leengate Industrial & Welding Supplies Limited

Annual report for the year ended 31 December 2012

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Directors' report for the year ended 31 December 2012

Principal activities

The company's principal activities are and have been throughout the current and preceding year the sale and distribution of welding consumables, safety and related industrial products and equipment

Business review

The directors are pleased with the results and financial position of the company

In spite of the difficult trading environment, the company delivered positive growth in sales and the profit margins. The key challenges for the business will continue to be the management of costs and profit margins

The directors refer to levels of turnover and profit margins as key performance indicators

The company is focussed towards improving profitability and building upon its existing customer base for the following year

The principal risks and uncertainties for the business relate to the current economic climate and the impact that this has on the company's customers and supply chain

Dividends

No interim dividend was paid during the year (2011 £nil)

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011 £nil)

Directors

The directors of the company during and after the period under review were

Mr A J Bridger

Mr P R Dixon resigned 05 January 2012

Mr M J Giles

Mr S Hudson

Mrs C Tuhme appointed 09 March 2012

The directors are not subject to retirement by rotation

Political and Charitable Donations

The company made no political or charitable donations during the year

Disclosure of information to auditor

The directors holding office at the date of approval of this directors' report confirm that so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all steps that ought to have been taken as directors to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

Directors' report for the year ended 31 December 2012 (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the Board



S Kelly
Secretary

15 August 2013

Redfield Road, Lenton, Nottingham, Nottinghamshire, NG7 2UJ

Redfield Road, Lenton, Nottingham,

Statement of Directors' responsibilities in respect of the Directors' report and the statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations

The Companies Act 2006 (the "Act") requires the directors to prepare financial statements for each financial year and they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Pursuant to the Act, the directors must not approve the financial statements unless they are satisfied that they 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 judgements and estimates that are reasonable and prudent,

state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and

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 adequate accounting records that are sufficient to show and explain the company's transactions and 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 Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Leengate Industrial & Welding Supplies Limited

We have audited the financial statements of Leengate Industrial & Welding Supplies Limited for the year ended 31 December 2012 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeUKprivate.

Opinion on financial statements

In our opinion the financial statements

give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,

have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and

have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Leengate Industrial & Welding Supplies Limited (continued)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Sills
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
15 August 2013

Profit and loss account for the year ended 31 December 2012

	Note	2012	2011
In £			
Turnover	[2]	2,482,361	2,450,574
Cost of sales		(1,877,989)	(1,875,559)
Gross profit		604,372	575,015
Administrative expenses		(536,974)	(521,678)
Operating profit	[3]	67,398	53,337
Interest payable and similar charges	[4]	(1,519)	(2,271)
Profit on ordinary activities before taxation		65,879	51,066
Taxation	[5]	(1,825)	(14,225)
Profit for the financial year	[16]	64,054	36,841

All of the above relates to continuing operations

The company has no recognised gains and losses in the year other than those included in the profit and loss account above and therefore no separate statement of total recognised gains and losses has been prepared

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents

Balance sheet as at 31 December 2012

	Note	2012	2011
In £			
Fixed assets			
Intangible assets	[9]	12,000	15,000
Tangible assets	[10]	33,006	42,759
		45,006	57,759
Current assets			
Stocks	[11]	261,101	242,661
Debtors	[12]	512,251	550,073
Cash at bank and in hand		1,499	905
		774,851	793,639
Creditors amounts falling due within one year	[13]	(541,881)	(632,012)
Net current assets		232,970	161,627
Total assets less current liabilities		277,976	219,386
Creditors amounts falling due after more than one year	[13]	-	(5,464)
Net assets		277,976	213,922
Capital and reserves			
Called up share capital	[15]	10,000	10,000
Profit and loss account		267,976	203,922
Shareholders' funds	[16]	277,976	213,922

The financial statements on pages 6 to 16 were approved by the board of directors on 15 August 2013 and were signed on its behalf by

C. Tuhme

Mrs C Tuhme
Director

Notes to the financial statements for the year ended 31 December 2012

[1] Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in the financial statements

a) Basis of preparation

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

The use of going concern accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern

b) Cash flow statement

The company is a wholly-owned subsidiary of Linde AG, and is included in the consolidated financial statements of Linde AG, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard Number 1 (revised 1996)

The principal accounting policies are set out below

c) Revenue recognition

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

d) Leases

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

e) Intangible fixed assets

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

f) Taxation

The charge for taxation is based on the result for the year. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise, based on enacted or substantially enacted tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in different periods from those in which they are included in the financial statements

Deferred tax assets are recognised only to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted

g) Pensions

The company operates a defined contribution scheme. Contributions for the defined contribution scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme

[1] Accounting policies (continued)**h) Dividends**

Final dividends proposed by the board of directors and unpaid at the year end are not recognised in the financial statements until they have been approved by a resolution of the company's members

i) Stock

Stock is valued at the lower of cost and net realisable value. Cost comprises purchase price. Net realisable value means estimated selling price less all further costs to be incurred in marketing, selling and distribution

j) 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 net profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period

k) Fixed asset

The cost of items of property, plant and equipment is its purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write-off over the expected useful economic lives of the asset concerned, the cost of property, plant and equipment, less any estimated residual values, which are adjusted, if appropriate, at each balance sheet date. The principal economic lives used for this purpose are

Tenant improvements	Straight line over 10 years
Plant and machinery	15% reducing balance
Fixtures, fittings and equipment	25% straight line / 15% reducing balance
Motor vehicles	20% straight line new commercial vehicles / 25% reducing balance other motor vehicles

[2] Turnover

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

[3] Operating profit

[i] Operating profit is stated after charging/(crediting) the following items

In £	2012	2011
Staff costs [note 8]	294,538	264,872
Operating lease charges		
Land and buildings	28,190	30,074
Motor vehicles	16,182	13,934
Depreciation and other amounts written off tangible fixed assets	10,594	15,115
Profit on disposal of tangible fixed assets	-	726
Amortisation and other amounts written off intangible assets	3,000	3,000
Audit of financial statements and other services	8,131	3,999

[4] Interest

Interest payable and similar charges		
In £	2012	2011
Bank interest	737	910
Hire purchase interest paid	782	1,361
	<u>1,519</u>	<u>2,271</u>

[5] Tax on profit on ordinary activities

In £	2012	2011
a) Analysis of charge in year		
Current tax		
UK corporation tax on profits for the year	15,566	20,794
Adjustment in respect of previous years	(400)	(1)
Group relief	(15,566)	-
	<u>(400)</u>	<u>20,793</u>
Deferred tax		
Origination and reversal of timing differences	1,810	(5,041)
Adjustment to tax charge in respect of previous year	415	(1,528)
Total deferred tax - see [note 14]	<u>2,225</u>	<u>(6,569)</u>
Tax on profit on ordinary activities	<u>1,825</u>	<u>14,225</u>
b) factors affecting tax for the year		
The tax assessed for the year is different to the rate of corporation tax in the UK of 24.5% (2011 26.5%)		
The differences are explained below		
Profit on ordinary activities before taxation	65,879	51,066
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 24.5% (2011 26.5%)	16,140	13,532
Effects of		
Expenses not deductible for tax purposes	1,236	1,726
Depreciation for period in excess of capital allowances	310	723
Short term timing differences	(2,120)	4,813
Adjustment to tax charge in respect of previous year	(400)	(1)
Group relief for nil consideration	(15,566)	-
Current tax charge for the year (as above)	<u>(400)</u>	<u>20,793</u>

c) Factors that may affect future tax charges

The Finance Act 2012 included provisions to reduce the main rate of corporation tax to 23% from 1 April 2013. The effect of this rate change on the deferred tax balances as at 31 December 2012 has been included in the deferred tax figures above.

The budget on 20 March 2013 announced changes to further reduce the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As these changes have not yet been substantially enacted by parliament their effect is not included in the figures above.

[6] Dividends

There were no dividends paid during the financial year (2011 £nil)

[7] Directors emoluments

Certain directors of the company are employed as managers or directors by Industrial Supplies & Services Limited or BOC Limited and are remunerated by the relevant company in respect of their services to the Group as a whole. Their emoluments are dealt with in the accounts of Industrial Supplies & Services Limited or BOC Limited and are not included in any of the figures in this note. The emoluments of other directors directly employed by the company were

In £	2012	2011
Remuneration and other emoluments	59,825	59,624
Compensation for change of notice period	15,383	
Pension contributions	2,250	2,071
	77,458	61,695

[8] Employees**[a] Average number of employees**

The average monthly number of persons (including executive directors) employed by the company during the year was

	2012	2011
Management and sales	10	10

[b] Employment costs

In £	2012	2011
Wages and salaries	256,041	231,090
Social security costs	30,198	26,547
Pension costs	8,299	7,235
	294,538	264,872

[9] Intangible assets

In £	Goodwill
Cost	
At 1 January 2012 and 31 December 2012	97,500
Amortisation	
At 1 January 2012	82,500
Amortised during the year	3,000
At 31 December 2012	85,500
Net book value	
At 31 December 2012	12,000
At 1 January 2012	15,000

In 2005 the company acquired the trade and assets of Leengate Welding Limited (formerly 3 Shires Cutting & Welding Limited). The goodwill balance is deemed to have a useful economic life of 10 years and is therefore being amortised over this period.

[10] Tangible assets

In £	Tenants improvements	Plant and Machinery	Fixtures, fittings and equipment	Motor vehicles	Total
Cost					
At 1 January 2012	24,247	22,564	48,929	52,835	148,575
Additions	-	-	841	-	841
At 31 December 2012	24,247	22,564	49,770	52,835	149,416
Depreciation					
At 1 January 2012	20,939	20,271	36,287	28,319	105,816
Charge for the year	797	363	3,194	6,240	10,594
At 31 December 2012	21,736	20,634	39,481	34,559	116,410
Net book value					
At 31 December 2012	2,511	1,930	10,289	18,276	33,006
At 1 January 2012	3,308	2,293	12,642	24,516	42,759

Included above are assets held under finance leases. Motor vehicles NBV £18,276 (2011 £24,516). Depreciation Charge £6,240 (2011 £5,683).

[11] Stocks

In £	2012	2011
Finished goods and goods for resale	261,101	242,661

[12] Debtors

In £	2012	2011
Amounts falling due within one year		
Trade debtors	468,297	494,280
Amounts owed by group undertakings	32,615	36,574
Other debtors	6,995	12,650
Deferred tax - see [note 14]	4,344	6,569
	512,251	550,073

[13] Creditors

In £	2012	2011
Amounts falling due within one year		
Bank loans and overdrafts	128,342	99,837
Net obligations under finance leases and hire purchase contracts	5,464	10,098
Trade creditors	228,055	388,425
Amounts owed to group undertakings	136,659	84,229
Other taxes and social security costs	28,313	33,171
Other creditors	15,048	16,252
	541,881	632,012

Bank overdrafts are secured by a fixed charge over book debts. In addition Industrial Supplies and Services Limited, the parent company, has given a guarantee limited to £150,000.

Hire purchase contract liabilities are secured over the assets to which they relate.

Interest is charged on bank loans and overdrafts at an average rate of 2%.

In £	2012	2011
Amounts falling due after more than one year		
Net obligations under finance leases and hire purchase contracts	-	5,464

[14] Deferred tax

In £	2012	2011
Arising from accelerated capital allowances	(2,157)	(2,028)
Other short term timing differences	(2,187)	(4,541)
	(4,344)	(6,569)
At 1 January	(6,569)	-
Deferred tax credit - see [note 5]	2,225	(6,569)
At 31 December - see [note 12]	(4,344)	(6,569)

[15] Share capital

In £	2012	2011
Authorised		
20,000 Ordinary shares of £1 each	20,000	20,000
Authorised, allotted and fully paid		
10,000 Ordinary Shares of £1 each	10,000	10,000

[16] Reconciliation of movements in shareholders' funds

In £	2012	2011
Profit for the financial year	64,054	36,841
Opening shareholders' funds	213,922	177,081
Closing shareholders' funds	277,976	213,922

[17] Pensions**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension charge for the year represents contributions payable by the company to the scheme and amounted to £8,299 (2011: £7,235).

[18] Financial Commitments

At 31 December 2012 the company had annual commitments under non-cancellable operating lease commitments expiring as follows:

	As at 31 December 2012	As at 31 December 2012	As at 31 December 2011	As at 31 December 2011
In £	Land and buildings	Other	Land and buildings	Other
Within one year	4,550	8,860	4,550	3,971
Within two to five years	21,000	8,382	21,000	10,073
	25,550	17,242	25,550	14,044

[19] Related party disclosures**Sale of goods**

During the year the company sold goods to associated companies totalling £128,396 (2011 £125,593)

No sale of goods were made to the immediate parent undertaking

In addition, the company received commission from an associated company totalling £1,402 (2011 £1,436)

Purchases

During the year the company purchased goods from associated companies totalling £293,024 (2011 £285,016)

No goods were purchased from the immediate parent undertaking

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

Management and administration charges

During the year, the company incurred management and administration charges from the immediate parent undertaking totalling £49,386 (2011 £49,386)

Balances with related parties

At 31 December 2012 the following balances with related parties were held,

In £	2012	2011
Amounts due from associated companies	30,249	36,574
Split by,		
BOC Ltd	4,785	3,821
Express Industrial & Welding Supplies Limited	2,147	399
Industrial & Welding Management Ltd	12,111	23,081
Leengate Industrial & Welding Supplies (Lincoln) Ltd	9,039	7,069
Industrial & Welding Supplies North West Ltd	2,203	-
Other group balances	(36)	2,204
In £	2012	2011
Amounts due from immediate parent undertaking	2,366	-
In £	2012	2011
Amounts due to associated companies	70,455	22,234
Split by,		
BOC Ltd	406	1366
Pennine Industrial & Welding Supplies Limited	1,542	1,753
Express Industrial & Welding Supplies Limited	31,086	35,568
Industrial & Welding Management Limited	24,166	(19,671)
Welder Equipment Services Limited	3,406	2,715
Leengate Industrial & Welding Supplies (Nottingham) Ltd	9,492	-
Other group balances	357	503
In £	2012	2011
Amounts due to immediate parent undertaking	66,204	61,995

[20] Ultimate parent undertaking

The company is a wholly-owned subsidiary of Industrial Supplies & Services Limited, a company registered in England & Wales

The ultimate parent company is Linde AG, Klosterhofstrasse 1, 80331 Munich, Germany

Linde AG is the smallest and largest group to consolidate these financial statements. Copies of Linde AG's consolidated financial statements can be obtained from that company at Klosterhofstrasse 1, 80331 Munich, Germany