

Annual Report Leengate Industrial & Welding Supplies Limited

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Leengate Industrial & Welding Supplies Limited

Annual report and financial statements for the year ended 31 December 2016

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Directors' report for the year ended 31 December 2016

The directors present their report and the audited financial statements of the company for the year ended 31 December 2016.

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 for the year. The company's sales and net profit margin increased during the year in spite of a difficult trading environment. The key challenges for the business will continue to be the provision of sales growth and the management of costs and profit margins.

The company remains focused towards improving profitability and building upon its existing customer base.

The directors refer to turnover, profit margins and net asset value as the company's key performance indicators.

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

Directors

The directors who held office during and after the year under review were:

Mr J. Bland	resigned 21 December 2016
Mr A.J. Bridger	resigned 30 June 2016
Mr G. Gill	appointed 23 June 2016
Mr S. Hudson	resigned 30 June 2016
Mrs S. A. Williams	appointed 21 December 2016

The directors are not subject to retirement by rotation.

Dividend

An interim dividend of £30,000 was paid on the company's ordinary shares on 22 December 2016 (2015: £25,000).

The directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: £nil).

Political contributions

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 2016 (*continued*)

Strategic Report

The company was entitled to an exemption from disclosing a strategic report pursuant to Section 414A(2) of the Companies Act 2006 for the year ended 31 December 2016.


Auditor

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

By order of the Board



S Kelly
Secretary

 September 2017

10 Priestley Road, Surrey Research Park, Guildford, Surrey, GU2 7XY

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

Under company law 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 Companies Act 2006. 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 2016 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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 website 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 2016 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.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LEENGATE INDUSTRIAL & WELDING SUPPLIES LIMITED (*continued*)

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

Matt Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

28 September 2017

Profit and loss account for the year ended 31 December 2016

In £	Note	2016	2015
Turnover	[2]	2,114,638	1,822,232
Cost of sales		(1,508,748)	(1,296,555)
Gross profit		605,890	525,677
Administrative expenses	[3]	(482,671)	(483,578)
Profit on ordinary activities before taxation		123,219	42,099
Tax on profit on ordinary activities	[4]	(24,997)	12,574
Profit for the financial year		98,222	54,673

The accompanying notes form an integral part of the financial statements.

All of the above relates to continuing operations.

The company has no items of other comprehensive income in the year other than those included in the profit and loss account above and therefore no separate statement of comprehensive income has been prepared.

Balance sheet as at 31 December 2016

In £	Note	2016	2015
Fixed assets			
Intangible assets	[8]	12,000	12,000
Tangible assets	[9]	15,544	18,370
		<u>27,544</u>	<u>30,370</u>
Current assets			
Stocks	[10]	255,934	185,253
Debtors: amounts falling due within one year	[11]	498,359	399,213
Cash at bank and in hand		106,634	203,638
		<u>860,927</u>	<u>788,104</u>
Creditors: amounts falling due within one year	[12]	(355,854)	(354,079)
Net current assets		<u>505,073</u>	<u>434,025</u>
Net assets		<u>532,617</u>	<u>464,395</u>
Capital and reserves			
Called up share capital	[14]	10,000	10,000
Profit and loss account		522,617	454,395
Shareholders' funds		<u>532,617</u>	<u>464,395</u>

The accompanying notes form an integral part of the financial statements.

The financial statements on pages 6 to 17 were approved by the board of directors on **26** September 2017 and were signed on its behalf by:



Mrs S. A. Williams
Director

Statement of changes in equity for the year ended 31 December 2016

	Called up share capital	Profit and loss account	Total equity
Balance at 1 January 2016	10,000	454,395	464,395
Profit for the year	-	98,222	98,222
Total comprehensive income for the period	-	98,222	98,222
Dividends	-	(30,000)	(30,000)
Total contributions by and distributions to owners	-	(30,000)	(30,000)
Balance at 31 December 2016	10,000	522,617	532,617

	Called up share capital	Profit and loss account	Total equity
Balance at 1 January 2015	10,000	424,722	434,722
Profit for the year	-	54,673	54,673
Total comprehensive income for the period	-	54,673	54,673
Dividends	-	(25,000)	(25,000)
Total contributions by and distributions to owners	-	(25,000)	(25,000)
Balance at 31 December 2015	10,000	454,395	464,395

The following notes form an integral part of the financial statements.

Notes to the financial statements for the year ended 31 December 2016

[1] Accounting policies

Leengate Industrial & Welding Supplies Limited is a company incorporated in England and Wales and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The company's ultimate parent undertaking, Linde AG, includes the company in its consolidated financial statements. The consolidated financial statements of Linde AG are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Klosterhofstrasse 1, 80331 Munich, Germany.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned members of the Linde AG Group;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Linde AG include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out in this note have been applied consistently in preparing these financial statements for the year ended 31 December 2016 and the year ended 31 December 2015.

[1] Accounting policies (*continued*)**1.1 Measurement convention**

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as fair value through the profit or loss.

1.2 Going concern

The use of the going concern basis of 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.

1.3 Functional currency

The functional currency of Leengate Industrial & Welding Supplies Limited is sterling and the accounts are prepared using its functional currency, which is the currency of the primary economic environment in which it operates.

1.4 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

1.5 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to the profit and loss account on a straight-line basis or on a reducing balance basis, over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Tenants improvements straight line over 10 years
- Plant and machinery 15% reducing balance
- Fixtures, fittings and equipment straight line over 4 years/ 15% reducing balance
- Motor vehicles straight line over 5 years for new commercial vehicles/ 25% reducing balance for other motor vehicles.

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

[1] Accounting policies (*continued*)**1.6 Intangible assets and goodwill***Goodwill*

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. It is not amortised but is tested annually for impairment. This is not in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 which requires that all goodwill be amortised. The directors consider that this would fail to give a true and fair view of the profit for the year and that the economic measure of performance in any period is properly made by reference only to any impairment that may have arisen. It is not practicable to quantify the effect on the financial statements of this departure.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.8 Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

1.9 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK. Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.10 Expenses*Operating lease payments*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

1.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

[2] Turnover

In £	2016	2015
UK	2,114,638	1,822,232

[3] Expenses and auditor's remuneration

Included in profit are the following:		
In £	2016	2015
Operating lease charges:		
Motor vehicles	30,512	22,623
Land and buildings	31,327	28,882
Depreciation	6,630	7,119
Loss on disposal of tangible fixed assets	-	48
Auditor's remuneration:		
Audit of these financial statements	6,600	6,288

[4] Tax on profit on ordinary activities

In £	2016	2015
a) Analysis of charge in year		
Current tax		
UK corporation tax on profits for the period	25,652	5,846
Adjustment in respect of previous years	-	(21,402)
	25,652	(15,556)
Deferred tax		
Origination and reversal of timing differences	(901)	2,795
Adjustment to tax charge in respect of previous year	246	187
Total deferred tax	(655)	2,982
Tax on profit on ordinary activities	24,997	(12,574)
b) Factors affecting tax for the year		
The tax assessed for the period is different to the rate of corporation tax in the UK of 20.0% (2015: 20.25%). The differences are explained below.		
Profit on ordinary activities before taxation	123,219	42,099
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 20.0% (2015: 20.25%)	24,644	8,525
Effects of:		
Expenses not deductible for tax purposes	107	116
Effect of changes in tax rates	246	187
Adjustment to tax charge in respect of previous year	-	(21,402)
Current tax charge for the year (as above)	24,997	(12,574)

c) Factors that may affect future tax charges

Finance (No 2) Act 2015 s7 included provisions to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. Finance Act 2016 s46 included provisions to reduce the main rate of corporation tax with effect from 1 April 2020 to 17%. The effect of these changes has been reflected in the above figures.

[5] Employee numbers

The average number of persons employed by the company (including relevant directors) during the year, analysed by category, was as follows:

	2016	2015
Management and sales	8	8

[6] Employee costs

Employee costs		
In £	2016	2015
Wages and salaries	250,613	233,958
Social security costs	26,012	22,796
Pension costs	7,832	6,907
	284,457	263,661

[7] Directors' remuneration

In £	2016	2015
Directors' remuneration	6,400	-
Pension costs	242	-
	6,642	-

Certain directors of the company are employed as managers or directors by Industrial Supplies & Services Limited, BOC Limited or Leen Gate Industrial Welding & Supplies (Scotland) 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, BOC Limited or Leen Gate Welding & Supplies (Scotland) Limited. Consequently, they have not been disclosed in this note. However, a charge is made by one or more of those companies and the remuneration disclosed above relates to charges for qualifying services performed by one or more of the company's directors.

[8] Intangible assets

In £	Goodwill
Cost	
At 1 January 2016 & 31 December 2016	12,000
Amortisation and impairment	
At 1 January 2016 & 31 December 2016	-
Net book value	
At 1 January 2016 & 31 December 2016	12,000

The goodwill relates to the acquisition by the company in 2005 of the trade and assets of Leengate Welding Limited (formerly 3 Shires Cutting & Welding Limited).

[9] Tangible assets

In £	Tenant improvements	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
Balance					
At 1 January 2016	24,247	22,564	53,889	17,496	118,196
Additions	-	-	-	3,804	3,804
Disposals	-	-	-	-	-
At 31 December 2016	24,247	22,564	53,889	21,300	122,000
Depreciation					
At 1 January 2016	23,851	21,414	44,049	10,512	99,826
Charged during the year	396	168	1,685	4,381	6,630
Disposals	-	-	-	-	-
At 31 December 2016	24,247	21,582	45,734	14,893	106,456
Net book value					
At 1 January 2016	396	1,150	9,840	6,984	18,370
At 31 December 2016	-	982	8,155	6,407	15,544

[10] Stocks

In £	2016	2015
Finished goods	255,934	185,253

[11] Debtors

In £	2016	2015
Amounts falling due within one year:		
Amounts owed by group undertakings	5,272	12,882
Trade debtors	478,863	373,272
Deferred tax asset (<i>Note 13</i>)	2,653	1,998
Prepayments and accrued income	11,571	11,061
	498,359	399,213

Amounts owed by group companies are interest free and repayable on demand.

[12] Creditors

In £	2016	2015
Amounts falling due within one year:		
Trade creditors	196,704	250,772
Amounts owed to group undertakings	52,712	52,129
Other creditors	54,010	28,733
Corporation tax	24,997	5,846
Other taxation and social security	27,431	16,599
	355,854	354,079

Amounts owed to group companies are interest free and repayable on demand.

[13] Deferred tax

In £	2016	2015
Arising from accelerated capital allowances	2,296	2,348
Other short term timing differences	357	(350)
	2,653	1,998
At 1 January	1,998	4,980
Deferred tax charge	655	(2,982)
At 31 December	2,653	1,998

[14] Capital and reserves

Share Capital		
In £	2016	2015
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10,000	10,000

The sole holder of the ordinary shares is entitled to receive dividends as declared from time to time and is entitled to receive one vote per share at general meetings of the company.

[15] Pension scheme**Defined contribution pension scheme**

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £7,832 (2015: £6,907).

[16] Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

In £	2015	2015
Less than one year	24,722	15,652
Between one and five years	27,258	22,537
More than five years	-	-
	51,980	38,189

The company leases a number of motor vehicles under operating leases. Land and buildings have been considered separately for lease classification.

[17] Related party transactions

In accordance with FRS 101.8, the company is exempt from disclosing transactions with entities that are part of Linde AG, or investees of Linde AG qualifying as related parties, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

The following transactions and balances are with related parties, which are not wholly owned subsidiaries of the Linde AG Group.

Sale of goods

During the year the company sold goods to non-wholly owned subsidiaries totalling £474 (2015: £nil).

Purchases

During the year the company purchased goods from non-wholly owned subsidiaries totalling £38,953 (2015: £13,961).

At 31 December 2016 the following balances were held;

In £	2016	2015
Amounts due to non-wholly owned associated undertakings	4,248	2,271
Welder Equipment Services Limited	4,248	2,271

[18] Ultimate parent undertaking and parent company of larger group

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

The ultimate parent company and controlling party is Linde AG, Klosterhofstrasse 1, 80331 Munich, Germany.

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