A-Gas (UK) Limited

Annual report and financial statements

Registered number 02752249

31 December 2018

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Contents

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Company Information

Directors
JL Ormerod
RL Parker
IVS Podmore
REM Stewart

Secretary
REM Stewart

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Strategic Report

Business model

The directors present their Strategic Report for the year ended 31 December 2018. The company's business model is to provide a full range distribution and reclamation service of specialty gases and chemicals. Stricter environmental legislation has imposed specialist packaging and handling requirements for specialty chemicals and gases and the company adds value by down-packing these products into assets (cylinders) to enable end-users access to these products in practical quantities. Some of the products supplied by the company are environmentally sensitive, and recovery of these products at their end of life for recycling and reclamation also forms a key part of the business model.

The Company's principal business is in the United Kingdom but there is a focus on growing the business geographically in Europe and via exports.

As with all capital intensive businesses, a focus on key performance indicators like gross margin and current ratio ensures that the business monitors and measures the achievement of the broader company objectives

Business review

The Company's financial and other key performance indicators during the period to 31 December 2018 were as follows:

	2018	2017
	£000	£000
Turnover	**53,245**	30,226
Gross profit	**25,254**	14,109
Operating profit	**17,005**	9,141
Profit after tax	**15,537**	8,480
Shareholders funds	**37,449**	26,912
Current assets as a percentage of current liabilities	**233%**	194%
Average number of employees	**103**	82

The company has enjoyed another strong year of trading, experiencing good growth in its primary markets. Turnover rose to £53,245,000 (2017: £30,226,000) despite a competitive market. There were many drivers to this increase, however mostly driven through the F-Gas regulation resulting in increasing pricing within the market. The business continued to make good progress in developing our European business and increases in export activities. We continue to devote significant resource and investment toward our objective of being a broader based environmental business, investing £2,436,000 (2017: £2,453,000) in capital expenditure during the year.

Cost control and maintaining the strength of the balance sheet were also key priorities with good results and a solid financial performance.

The implementation of the F-Gas revision in Europe has had a positive effect on our business particularly in the area of reclamation which we expect to continue in 2019.

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Strategic Report (continued)

Principal risks and uncertainties

In addition to usual business risks (as shown in the Directors Report on pages 4 and 5), the environmentally sensitive nature of some of the company's products means that legislation designed to reduce or limit the effect of these products on the environment can be considered to be a risk. The company is well positioned to benefit from these legislative changes by offering alternative, more environmentally-friendly products, as well as offering recycling and disposal services for the products no longer required

Future developments

The Board anticipates that 2019 will continue the tightening of supply across Europe for core products. We expect demand for 4th generation refrigerants to continue to grow and significant opportunity in retrofit programmes. Continued diversification of the product range into adjacent products and markets will further support the business objectives.

By order of the board:

REM Stewart
Director

Banyard Road
Portbury West
Bristol
BS20 7XH
29 May 2019

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Directors' Report

The directors present their report and financial statements for the year to 31 December 2018.

Results and dividends

The profit for the year, after taxation, amounted to £15,537,000 (2017: profit of £8,480,000).

An interim dividend of £5,000,000 was paid during the year (2017: £1,500,000). The directors do not recommend the payment of a final dividend (2017: £nil).

Principal activity and review of the business

The principal activity of the business is the repackaging, distribution and reclamation of speciality gases and chemicals. Further information is provided in the strategic report on page 2.

Principal risks and uncertainties

Legislative risks

Some of the products supplied by the company are environmentally sensitive. The principal risks and uncertainties facing the company are broadly as a result of changes in both UK and EU legislation designed to reduce or limit the adverse effects of these products on the environment. The Montreal Protocol and the European F-Gas regulation (517/2014 EC) have a significant influence on the types of refrigerant used in the EU. While the activities of the company are not considered to be damaging to the environment the directors make sure that the company is compliant with all regulations that affect the industry. In addition, the company is making substantial efforts in providing environmental services to the industry including recycling, reclamation and, where necessary, the safe destruction of old and waste refrigerant product. Our compliance to F-Gas & Ozone depleting substances (ODS) EU regulations is carefully managed by the senior management team and we report annually on our activities handling ODS & F-Gas material, which is regulated by the EU directorate general.

The Directors are concerned about growing evidence of illegal imports of refrigerants into the European Union and their consequent effect on price volatility. We are working with the authorities and trade bodies to highlight instances of potential illegal activities. The Directors believe that the price volatility seen in the second half of 2018 will continue in 2019 with a potentially negative effect on trading.

We have identified the exit of the United Kingdom from the European Union as a risk to the business with particular uncertainty on how the F-Gas regulation will be adopted into United Kingdom legislation. A-Gas UK is mitigating this risk by working with DEFRA to enable a smooth transition and stable UK market and by securing our supply chain for our continental Europe customers. The Group is mitigating this risk further.

Exposure to price, credit, liquidity and cash flow risk

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses and ensuring deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the company's debtors are given in note 12.

Directors' Report (continued)

Exposure to price, credit, liquidity and cash flow risk (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company aims to mitigate liquidity risk by properly managing cash generation from its operations and applying cash collection targets. The company also manages liquidity risk by managing credit facilities and fixed term debt.

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows that are attributable to a particular risk associated with a recognised asset or liability. The company manages this risk by preparing revolving three month forward cash flow forecasts.

Directors of the Company

The directors who served during the year, and subsequently, were:

JL Ormerod
RL Parker
IVS Podmore
REM Stewart

Directors' qualifying third party indemnity provision

The Company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

Political contributions

The company made no political donations or incurred any political expenditure during the year (2017: £nil).

Disabled involvement

The Company gives full consideration to applications for employment from disabled persons where the candidates' particular aptitudes and abilities are consistent with adequately meeting the requirements specified. Opportunities are available to disabled employees for training, career development and promotion.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the period the policy of providing employees with information about the A-Gas group has been continued through monthly meetings. Employees participate directly in the success of the business through the group's profit sharing scheme.

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Directors' Report (continued)

Disclosure of information to the auditor

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

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:

REM Stewart
Director

Banyard Road
Portbury West
Bristol
BS20 7XH

29 May 2019

Statement of Directors' Responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 A-Gas (UK) Limited

Opinion

We have audited the financial statements of A-Gas (UK) Limited ("the company") for the year ended 31 December 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of receivables and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent auditor's report to the members of A-Gas (UK) Limited (continued)

Going concern (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of A-Gas (UK) Limited (continued)

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

NChrimes

Nathan Chrimes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
Bristol
BS1 4BE

30 May 2019

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Profit and Loss Account and Other Comprehensive Income

for the 12 months ended 31 December 2018

	Note	2018 £000	2017 £000
Turnover	2	53,245	30,226
Cost of sales		(27,991)	(16,117)
Gross profit		25,254	14,109
Administrative expenses		(8,249)	(4,968)
Operating profit	3	17,005	9,141
Interest receivable and similar income	6	73	60
Interest payable and similar expenses	7	(152)	(56)
Profit before taxation		16,926	9,145
Taxation	8	(1,389)	(665)
Profit for the year		15,537	8,480
Total comprehensive income for the year		15,537	8,480

All results are derived from continuing activities.

The notes on pages 14 to 35 form an integral part of these financial statements.

There are no other recognised gains or losses attributable to the shareholders of the company other than as stated above and therefore no separate Statement of Other Comprehensive Income has been presented.

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Statement of Financial Position

at 31 December 2018

	Note	2018 £000	2017 £000
Non-current assets			
Property, plant and equipment	10	**9,441**	8,735
Intangible assets	9	**317**	323
		9,758	9,058
Current assets			
Inventories	11	**15,651**	6,962
Debtors	12	**33,531**	27,860
Cash at bank and in hand	13	**73**	2,808
		49,255	37,630
Creditors: amounts falling due within one year	14	**(21,123)**	(19,441)
Net current assets		**28,132**	18,189
Total assets less current liabilities		**37,890**	27,247
Deferred taxation	15	**(441)**	(335)
Net assets		**37,449**	26,912
Capital and reserves			
Share capital	17	**50**	50
Profit and loss account		**37,399**	26,862
Equity shareholders funds		**37,449**	26,912

The notes on pages 14 to 35 form an integral part of these financial statements.

These financial statements were approved by the board of directors on 29 May 2019 and were signed on its behalf by:

REM Stewart
Director

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Statement of Changes in Equity

	Share capital £000	Profit & profit account £000	Total equity £000
Balance at 1 January 2017	50	19,882	19,932
Total comprehensive profit for the period			
Profit	-	8,480	8,480
Total comprehensive profit for the period	**-**	**8,480**	**8,480**
Transactions with owners, recorded directly in equity			
Dividends	-	(1,500)	(1,500)
Total contributions by and distributions to owners	**-**	**(1,500)**	**(1,500)**
Balance at 31 December 2017	**50**	**26,862**	**26,912**

	Share capital £000	Profit & profit account £000	Total equity £000
Balance at 1 January 2018	50	26,862	26,912
Total comprehensive profit for the period			
Profit	-	15,537	15,537
Total comprehensive profit for the period	**-**	**15,537**	**15,537**
Dividends	-	(5,000)	(5,000)
Total contributions by and distributions to owners	**-**	**(5,000)**	**(5,000)**
Balance at 31 December 2018	**50**	**37,399**	**37,449**

Notes (forming part of the Financial Statements)

1. Accounting policies

A-Gas (UK) Limited (the "Company") is a private company, limited by shares, incorporated, domiciled and registered in England in the UK. The registered number is 0275224 and the registered address is Banyard Road, Portbury West, Bristol, BS20 7XH.

The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 22.

IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 1 January 2017 have not been restated.

The Company's intermediate parent undertaking, A-Gas Group Limited includes the Company in its consolidated financial statements. The consolidated financial statements of A-Gas Group Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from companies house.

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, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- 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; and
- Disclosures of transactions with a management entity that provides key management personnel services to the company.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods including the comparative period reconciliation for goodwill; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The directors have concluded that in the application of these accounting policies, there have been no judgements that have a significant effect on the financial statements, nor any estimates with a significant risk of material misstatement.

Notes (continued)

Basis of preparation and measurement convention

The financial statements are prepared on the historical cost basis. The directors do not believe that there are any estimates or judgements that have a significant effect on these financial statements.

Going concern

The directors have prepared cash flow forecasts and have concluded that the company should be able to operate within the level of its current facilities. In preparing those forecasts, the directors have taken into account various risks and uncertainties and they have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and meet its liabilities as they fall due. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Foreign currency

Transactions in foreign currencies are translated to the group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes (continued)

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

The group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging. The contract assets have similar risk characteristics to the trade receivables for similar types of contracts.

The expected loss rates are based on the group's historical credit losses experienced over the three year period prior to the period end.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognised in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes (continued)

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, for example land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition 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, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

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

Leasehold improvements	-	10 years
Plant and equipment	-	10 years
Office and vehicles	-	3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

Intangible assets, goodwill and negative goodwill

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software - 5 years

The group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Stocks

With the exception of reclaimed product, all stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs incurred in bringing each product to its present location as follows:
Raw materials, consumables and goods for resale – purchase cost on an average costing basis.

Reclaimed stock is valued at the market price at the date it was reclaimed to Air-Conditioning and Refrigeration Institute (ARI) standards.

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Notes (continued)

Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Company Plans

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

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Provisions

A provision is recognised in the balance sheet when the entity 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 recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Notes (continued)

Revenue recognition

General

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Performance obligations and timing of revenue recognition

The majority of the Company's revenue is derived from the distribution, recovery and reclamation services of specialty gases and chemicals. Revenue is recognised at a point in time when control of the goods has transferred to the customer. This is generally when the goods are delivered to the customer. Revenue relating to recovery and reclamation services is recognised at a point in time as and when the relevant performance obligations have been satisfied.

Determining the transaction price

Most of the Company's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices.

Allocating amounts to performance obligations

For most contracts, there is a fixed unit price for each product sold. There is no judgement involved in allocating the contract price to each unit ordered in such contracts (it is the total contract price divided by the number of units ordered). Where a customer orders more than one product line, the Company is able to determine the split of the total contract price between each product line by reference to each product's standalone selling prices (all product lines are capable of being, and are, sold separately).

Practical Exemptions

The Company has taken advantage of the practical exemptions:

- Not to account for significant financing components where the time difference between receiving consideration and transferring control of goods (or services) to its customer is one year or less; and
- Expense the incremental costs of obtaining a contract when the amortisation period of the asset otherwise recognised would have been one year or less.

Transition

The Company has applied the following transitional reliefs in IFRS 15:

- It has not restated completed contracts that:
    - Begin and end within the same annual reporting period; or
    - Were completed contracts at the beginning of the earliest period presented.
- For contracts that were modified before the beginning of the earliest period presented, the Company has reflected the aggregate effect of all of the modifications that occurred before the start of the comparative period by:
    - Identifying the satisfied and unsatisfied performance obligations;

Notes (continued)

- o Determining the transaction price; and
- o Allocating the transaction price to the satisfied and unsatisfied performance conditions.

Expenses

Operating lease

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 unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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.

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Notes (continued)

2. Revenue

	2018 £000	2017 £000
Sale of gases, chemicals and services	**53,245**	30,226
By geographical market:		
United Kingdom	**40,450**	21,632
Europe	**12,751**	8,468
South Africa	**44**	39
The Americas	-	58
Australia	-	28
Asia Pacific	-	1
	53,245	30,226

Turnover represents the sale of gases, chemicals and services which fall within the group's ordinary activities, stated net of value added tax.

All of the above turnover relates to revenue earned at a point in time rather than transferred over time (2017: all point in time).

There are no contract assets or liabilities recognised at the year-end (2017: £nil).

3. Expenses and auditors' remuneration

Included in profit/loss are the following:

	2018 £000	2017 £000
Depreciation of owned property, plant and equipment	**1,620**	1,443
Amortisation of intangible assets	**6**	41
Profit on disposal of property, plant and equipment	**(95)**	-

Auditor's remuneration:		
- Audit of these financial statements	**37**	32

Fees paid to the company's auditor, KPMG LLP, for services other than the statuory audit of the company are not disclosed in the company's accounts since the consolidated accounts of the company's parent, A-Gas Group Limited disclose non audit fees on a consolidated basis.

Notes (continued)

4. Staff numbers and costs

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

	2018 No.	2017 No.
Sales and administration	42	31
Production and technical	61	51
	103	82

The aggregate payroll costs of these persons were as follows:

	2018 £000	2017 £000
Wages and salaries	4,477	2,918
Social security costs	470	291
Contributions to defined contribution plans	173	145
	5,120	3,354

5. Directors remuneration

	2018 £000	2017 £000
Salary	314	277
Company contributions to money purchase pension plans	16	21
	330	298

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £181,000 (2017: £146,000), and Company pension contributions of £12,000 (2017: £16,000) were made to a money purchase scheme on his behalf.

Notes (continued)

6. Other interest receivable and similar income

	2018 £000	2017 £000
Net foreign exchange gain	73	60
	73	60

7. Interest payable and similar charges

	2018 £000	2017 £000
Interest payable on loans due to group entities	152	7
Net foreign exchange loss	-	49
	152	56

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Notes (continued)

8. Taxation

	2018 £000	2017 £000
Current tax expense		
Current tax on profits for the year	2,271	648
Adjustments in respect of prior periods	(988)	17
Total current tax	1,283	665
Origination and reversal of timing differences	106	
Total deferred tax	106	-
Total tax expense	1,389	665

Reconciliation of effective tax rate:

	2018 £000	2017 £000
Profit for the period	15,537	8,480
Total tax expense	1,389	665
Profit for the period before tax	16,926	9,145
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	3,216	1,760
Expenses not deductible for tax purposes	47	28
Fixed asset differences	-	(15)
Thin capitalisation and transfer pricing	69	-
Chargeable (losses)/gains	-	(23)
Interest not deductible for tax purposes	-	75
Difference in current and deferred tax	51	-
Adjustments in respect of prior periods	(988)	(29)
Group relief for no consideration	(1,006)	(1,131)
	1,389	665

Notes (continued)

9. Intangible fixed assets and goodwill

	Goodwill	**Software**	**Total**
	£000	**£000**	**£000**
Cost			
Balance at 01 January 2018	517	224	**741**
Balance at 31 December 2018	517	224	**741**
Amortisation			
Balance at 01 January 2018	202	216	**418**
Amortisation for the year	-	6	**6**
Balance at 31 December 2018	202	222	**424**
Net book value			
At 31 December 2018	315	2	317
Balance at 01 January 2018	315	8	323

The goodwill cost arose on the acquisition of the trade and assets of Beer Gas Supply Limited. Beer Gas Supply Limited is registered in England and Wales.

Software assets are capitalised costs in relation to software development and are being amortised evenly over their presumed useful life of five years.

Notes (continued)

10. Tangible fixed assets

	Leasehold improvements £000	Plant and equipment £000	Office and vehicles £000	Total £000
Cost				
Balance at 1 January 2018	514	20,855	811	**22,180**
Additions	55	2,166	215	**2,436**
Disposals	-	(155)	(3)	**(158)**
Balance at 31 December 2018	569	22,866	1,023	**24,458**
Depreciation				
Balance at 1 January 2018	349	12,451	645	**13,445**
Depreciation charge for the year	28	1,503	89	**1,620**
Disposals	-	(48)	-	**(48)**
Balance at 31 December 2018	377	13,906	734	**15,017**
Net book value				
At 31 December 2018	**192**	**8,960**	289	9,441
Balance at 1 January 2018	165	8,404	166	8,735

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Notes (continued)

11. Inventories

	2018 £000	2017 £000
Chemicals and gases in storage	**15,651**	6,962

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £27,991,000 (2017: £16,116,000). The write-down of stocks to net realisable value amounted to £nil (2017: £nil). The reversal of write-downs amounted to £nil (2017: £nil).

12. Debtors

	2018 £000	2017 £000
Trade debtors	**9,981**	8,526
Other debtors	**92**	-
Prepayments	**1,165**	363
Loans owed by group undertakings	**3,067**	1,388
Receivables owed by group undertakings	**19,226**	17,389
Taxation receivable	**-**	194
	33,531	27,860

Loans due from group undertakings are unsecured and have no fixed repayment terms. Receivables owed from group undertakings are unsecured and have no fixed repayment terms. All debtors are due within one year.

13. Cash and cash equivalents

	2018 £000	2017 £000
Cash and cash equivalents per balance sheet	**73**	2,808
Bank overdrafts (Note 14)	**(2,102)**	-
	(2,029)	2,808

Notes (continued)

14. Creditors: amounts due less than one year

	Company 2018 £000	Company 2017 £000
Bank overdrafts (Note 13)	**2,102**	-
Trade creditors	**3,458**	4,601
VAT and payroll taxes	**312**	263
Accruals	**2,026**	1,876
Amounts owed to group undertakings	**12,322**	12,355
Other creditors	**669**	185
Taxation payable	**210**	-
Cylinder charges	**24**	161
	21,123	19,441

Loans due to group undertakings are unsecured and have no fixed repayment terms. Any overdraft drawn down is secured by charges on the company's and other group companies' assets. See note 19.

Notes (continued)

15. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	444	357	444	357
Unused tax losses	-	-	-	-	-	-
Other timing differences	(3)	(22)	-	-	(3)	(22)
Tax (assets) / liabilities	(3)	(22)	444	357	441	335
Net of tax (assets) / liabilities	-	-	-	-	-	-
Net tax (assets) / liabilities	(3)	(22)	444	357	441	335

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2016) and 20% (effective from 1 April 2017) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2017. The March 2017 Budget announced that the rate will further reduce to 17% (effective from 1 April 2020). This will further reduce the company's future current tax charge and impact the group's deferred tax position accordingly.

The deferred tax liability at 31 December 2018 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

16. Employee benefits

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £173,000 (2017: £145,000).

No contributions (2017: £Nil) were payable to the scheme at year end, and the company had no outstanding or prepaid contributions at the end of either year.

The pension contributions of group directors are disclosed in the statutory accounts of the parent company, A-Gas Group Limited.

Notes (continued)

17. Capital and reserves

Share Capital	2018 £000	2017 £000
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50	50

18. Operating commitments

Non-cancellable operating leases and rentals are payable as follows:

	Land and buildings 2018 £000	Other 2018 £000	Land and buildings 2017 £000	Other 2017 £000
Less than one year	462	163	80	147
Between one and five years	1,696	262	320	291
More than five years	3,792	-	-	-
	5,950	425	400	438

During the year £329,000 (2017: £80,000) was recognised as an expense in the profit and loss account in respect of operating leases for land and buildings and plant and machinery.

19. Contingencies

The company together with other group subsidiaries has fixed and floating charges under a charge dated 11 August 2017 in respect of loans and bank borrowings of a subsidiary of the company. The total amount of loans guaranteed at 31 December 2018 was £240,111,000 (2017: £206,071,000). As at 31 December 2018, £225,369,000 (2017: £176,071,000) was utilised.

The company together with group subsidiaries has guaranteed the group revolving credit facility to the extent of £30,000,000 (2017: £30,000,000). As at 31 December 2018, £20,767,000 (2017: £18,354,000) was utilised.

Notes (continued)

20. Related party transactions

The company has taken advantage of the exemption given by FRS101 to subsidiary undertakings, 100% of whose voting rights are controlled within the group, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

Company	Loans & receivables outstanding 2018 £000	Loans & receivables outstanding 2017 £000	Loans & creditors outstanding 2018 £000	Loans & creditors outstanding 2017 £000
Entities with control, joint control or significant influence	**17,100**	17,024	**10,370**	11,157
Other related parties	**5,193**	1,753	**1,952**	1,198
	22,293	18,777	**12,322**	12,355

21. Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of A-Gas International Limited. The ultimate holding company is Clean TopCo Limited, incorporated in the Cayman Islands, and the registered address is: P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The ultimate controlling party is KKR & Co. Inc., incorporated in Delaware, United States of America and registered at 9 West 57th Street, Suite 4200, New York, New York, 10019, United States of America.

The largest and smallest group in which the results of the Company are consolidated is that headed by A-Gas Group Limited, incorporated in the United Kingdom, and the registered address is: 11th Floor, 200 Aldersgate Street, London, EC1 4HD, United Kingdom.

Notes (continued)

22. Explanation of transition to FRS 101 from FRS 102

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2018, the comparative information presented in these financial statements for the year ended 31 December 2017 and in the preparation of an opening FRS 101 balance sheet at 1 January 2017 (the Company's date of transition).

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (FRS 102). An explanation of how the transition from FRS 102 to FRS 101 has affected the Company's financial position and cash flows is set out in the following tables and the notes that accompany the tables.

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Notes (continued)

22. Explanation of transition to FRS 101 from FRS 102 (continued)

Reconciliation of equity for the period ended 31 December 2017

			31 December 2017 Effect of transition	
	Note	**FRS 102**	**Effect of transition to FRS 101**	**FRS 101**
		£000	**£000**	**£000**
Non-current assets				
Property, plant and equipment		8,735	-	8,735
Intangible assets	*a*	297	26	323
		9,032	26	9,058
Current assets				
Inventories		6,962	-	6,962
Debtors		27,860	-	27,860
Cash at bank and in hand		2,808	-	2,808
		37,630	-	37,630
Creditors: amounts falling due within one year		(19,441)	-	(19,441)
Net current liabilities		18,189	-	**18,189**
Creditors: amounts falling due after more than one year		(335)	-	(335)
Net assets		**26,886**	**26**	**26,912**
Capital and reserves				
Share capital		50	-	50
Profit and loss account	*a*	26,836	26	26,862
Equity shareholders funds		**26,886**	**26**	**26,912**

Note a - Intangible assets increased by £26,000 which was the reversal of the amortisation charge for goodwill.

Notes (continued)

22. Explanation of transition to FRS 101 from FRS 102 (continued)

Reconciliation of profit and loss for the period ended 31 December 2017

31 December 2017
Effect of transition

	Note	**FRS 102** **£000**	**Effect of transition to FRS 101** **£000**	**FRS 101** **£000**
Turnover		30,226	-	30,226
Cost of sales		(16,117)	-	(16,117)
Gross profit		**14,109**	-	**14,109**
Administrative expenses	*a*	(4,994)	26	(4,968)
Operating profit		**9,115**	26	**9,141**
Interest receivable and similar income		60	-	60
Interest payable and similar expenses		(56)	-	(56)
Profit before taxation		**9,119**	26	**9,145**
Taxation		(665)	-	(665)
Profit for the year		**8,454**	**26**	**8,480**

Note a - Administrative expenses decreased by £26,000 which was the reversal of the amortisation charge for goodwill.