

**Air Liquide Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2016**



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**For the year ended 31 December 2016**

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## **Company Information**

**For the year ended 31 December 2016**

### **Directors**

R Charachon

J Webber

P Escudie

R Murphy

### **Secretary**

M Hasnip

### **Independent Auditors**

PricewaterhouseCoopers LLP

Cornwall Court

19 Cornwall Street

Birmingham

B3 2DT

### **Bankers**

Citibank N.A.

Citigroup Centre

Canary Wharf

London

E14 1BD

### **Solicitors**

MacFarlanes

10 Norwich Street

London

EC4A 1BD

### **Registered Office**

Station Road

Coleshill

Birmingham

B46 1JY

## **Strategic Report**

For the year ended 31 December 2016

### **Business Review**

The directors present their review of the development and performance of the business of Air Liquide Limited ("the company") for the year ended 31 December 2016 as well as the position of the company as at that date.

#### **Gross Profit**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Revenue	4,234	4,373
Cost of sales	(1,585)	(1,793)
Gross profit	<b>2,649</b>	<b>2,580</b>
%	63%	59.0%

Revenue has decreased due to the loss of certain contracts between 2015 and 2016. The gross margin has improved due to portfolio and price management as well as tight control over the cost base.

#### **Operating Loss**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Distribution costs	(1,826)	(1,931)
Administrative expenses	(1,642)	(1,308)
Other operating income	-	364
Operating loss	<b>(819)</b>	<b>(295)</b>

Costs remain under tight control, with underlying costs flat against 2015; with 2015 including some one off releases that were not repeated.

Reduction in distribution costs are as a result of efficiencies achieved and portfolio analysis.

## **Strategic Report**

For the year ended 31 December 2016 (continued)

### **Balance Sheet**

Below is a simplified balance sheet showing the principal movements between 2015 and 2016.

	<b>2016</b> <b>£000</b>	<b>2015</b> <b>£000</b>	<b>Change %</b> <b>2016-2015</b>
<b>Non-current assets</b>	<u>46,544</u>	<u>46,805</u>	-0.6%
<b>Current assets</b>			
Inventories	246	344	-28.6%
Trade and other receivables	37,740	37,015	2.0%
Current tax asset	526	353	49.0%
Cash and cash equivalents	-	2	-100.0%
	<u>38,512</u>	<u>37,714</u>	2.1%
<b>Current liabilities</b>	<u>(51,596)</u>	<u>(50,400)</u>	2.4%
<b>Net current liabilities</b>	<u>(13,084)</u>	<u>(12,686)</u>	3.1%
<b>Total assets less current liabilities</b>	33,460	34,119	-1.9%
<b>Non-current liabilities</b>	<u>(202)</u>	<u>(303)</u>	-33.3%
<b>Net assets</b>	<u>33,258</u>	<u>33,816</u>	-1.7%

### **Key performance indicators**

The Air Liquide group's number one priority is health and safety. This is reflected in the company's main KPI - lost time accidents (LTAs). The number of LTAs in 2016 was nil (2015: nil).

The company's key financial measures are considered in the business review, above.

### **Principal risks and uncertainties facing the company**

The nature of Healthcare provision in the UK is such that the company's customer base is highly concentrated and the loss or gain of a contract can have a material impact on sales and therefore on the net result. The company therefore needs to maintain high service levels to retain and develop turnover. Government spending cuts could also potentially have an impact on negotiations with customers/potential customers regarding price.

### **Future developments**

The company actively continues to review existing and new contracts with the intention to grow value added business.

## **Strategic Report**

**For the year ended 31 December 2016 (continued)**

### ***Environmental and Safety Considerations***

Commitment to safety is the company's first consideration. The number of accidents is the first key performance indicator reported on to group every month. Any accidents at the workplace are recorded, fully investigated and corrective action instigated at the earliest opportunity. Active communication and training campaigns are implemented and information is shared with the group. The company is fully involved in the group's Industrial Management System which aims to reduce both the incidence and the impact of accidents. The company reported no loss time accidents in 2016.

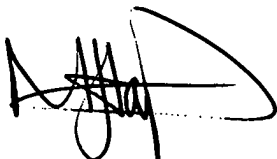
Air Liquide Limited, as the rest of Air Liquide Group, remains committed to sustainable development and is proactive in its efforts to reduce the impact of its activities on the environment. A summary of safety and environmental indicators covering the Air Liquide Group can be found in the group's annual report. Air Liquide Limited is fully compliant with these group policies.

### **Financial Instruments**

The objectives and policies of Air Liquide Limited are designed to limit the exposure of the company to financial risk as much as possible. Material foreign currency transactions are hedged with forward exchange contracts.

Credit risk, liquidity risk and cash flow risk are considered by the directors to be limited due to the customer base being mainly in the public sector, and the fact that the company loans any excess funds to the Air Liquide Group.

By order of the board



**M Hasnip**

Secretary

Date: 22 September 2017

## **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.

### **Results and dividends**

The loss for the financial year after tax amounted to £558,000. The directors do not recommend the payment of a dividend in respect of 2016.

### **Principal activities**

The company's principal activities during the year were the purchase, manufacture, distribution and sale of medical gases and associated equipment.

### **Directors and their interests**

The directors of the company, who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

A Combier (resigned 5 January 2016)

R Charachon (appointed 5 January 2016)

J Webber

P Escudie

R Murphy

### **Employees**

#### **Disabled persons**

The company's managers are instructed to give sympathetic consideration when recruiting to applications from disabled persons. Managers are also required to bear in mind the special needs of disabled employees (including those who become disabled while in the company's employment) in the work place, and to seek to ensure that the handicaps suffered by disabled employees do not adversely affect their promotional prospects.

#### **Employee involvement**

The company's financial results are presented to its employees as part of the established pattern of management information communication meetings throughout the year.

Matters resulting in structural changes within the company are fully discussed with affected employees through a formal consultation process.

#### **Creditor payment policy**

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with.

### **Independent Auditors**

During the year Mazars LLP resigned as auditors and PricewaterhouseCoopers LLP were appointed by the shareholders of Air Liquide Limited.

A resolution to reappoint PricewaterhouseCoopers LLP as the company's auditors will be proposed at the forthcoming Annual General Meeting.

## **Directors' report**

For the year ended 31 December 2016 (continued)

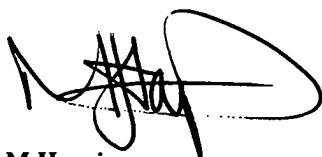
### **Directors' Indemnity**

The directors confirm that no qualifying third party indemnity provision in favour of any of the directors of the company, as defined by s236 of the Companies Act 2006, either by the company or by any other party, was in force at the time of signing of this report, and that no such provision had been in force at any time in the financial year.

### **Disclosure of Information to Auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. Each director has made enquiries of his fellow directors and of the company's auditors for that purpose. The directors have taken all such other steps for that purpose, as were required by their duty as directors of the company to exercise due care, skill and diligence.

By order of the board

A handwritten signature in black ink, appearing to be 'M Hasnip', written over a horizontal dotted line.

**M Hasnip**  
Secretary

Date: 22 September 2017



## **Statement of directors' responsibilities in respect of the financial statements**

**For the year ended 31 December 2016**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Independent Auditors' Report to the members of Air Liquide Limited**

**For the year ended 31 December 2016**

### **Report on the financial statements**

#### **Our opinion**

In our opinion, Air Liquide Limited's financial statements (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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual Report, comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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#### **Opinions on other matters prescribed by the Companies Act 2006**

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In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## **Independent Auditors' Report to the members of Air Liquide Limited**

**For the year ended 31 December 2016 (continued)**

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors in respect of the financial statements**

As explained more fully in the Statement of Directors' Responsibilities 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.

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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Independent Auditors' Report to the members of Air Liquide Limited**

**For the year ended 31 December 2016 (continued)**

### **Responsibilities for the financial statements and the audit (continued)**

#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Jas Khela (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
22 September 2017

## **Statement of Comprehensive Income**

**For the year ended 31 December 2016**

	Notes	2016 £'000	2015 £'000
<b>Revenue</b>	3	<b>4,234</b>	4,373
Cost of sales		(1,585)	(1,793)
<b>Gross profit</b>		<b>2,649</b>	2,580
Distribution costs		(1,826)	(1,931)
Administrative expenses		(1,642)	(1,308)
Other operating income		-	364
<b>Operating loss</b>	4	<b>(819)</b>	(295)
<b>Loss before taxation</b>		<b>(819)</b>	(295)
Tax on loss	7	261	-
<b>Loss for the financial year</b>		<b>(558)</b>	(295)
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>		-	-
<i>Items that may subsequently be reclassified to profit or loss:</i>		-	-
<b>Total comprehensive expense for the year</b>		<b>(558)</b>	(295)

The above results all relate to continuing operations.

The notes on pages 14 to 28 are an integral part of these financial statements.

## Statement of Financial Position

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9	130	169
Property, plant and equipment	10	3,083	3,305
Investments	11	43,331	43,331
		<u>46,544</u>	<u>46,805</u>
<b>Current assets</b>			
Inventories	12	246	344
Trade and other receivables	13	37,740	37,015
Current tax asset		526	353
Cash and cash equivalents		-	2
		<u>38,512</u>	<u>37,714</u>
<b>Total assets</b>		<u>85,056</u>	<u>84,519</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	51,596	50,400
<b>Non-current liabilities</b>			
Provisions for liabilities	16	120	193
Deferred tax liabilities	15	82	110
		<u>202</u>	<u>303</u>
<b>Total liabilities</b>		<u>51,798</u>	<u>50,703</u>
<b>Net assets</b>		<u>33,258</u>	<u>33,816</u>
<b>EQUITY</b>			
Called up share capital	18	25,700	25,700
Retained earnings		7,558	8,116
<b>Total equity</b>		<u>33,258</u>	<u>33,816</u>

The notes on pages 14 to 28 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 22 September 2017 and signed on their behalf by:

  
.....  
R Murphy

Director

Air Liquide Limited (Company no. 2103630)

## **Statement of changes in equity**

for the year ended 31 December 2016

	<b>Share capital £'000</b>	<b>Retained Earnings £'000</b>	<b>Total equity £'000</b>
<b>At 1 January 2015</b>	25,700	8,411	34,111
Loss for the financial year	-	(295)	(295)
Other comprehensive income	-	-	-
<b>Total comprehensive expense</b>	-	(295)	(295)
<b>At 31 December 2015</b>	<b>25,700</b>	<b>8,116</b>	<b>33,816</b>
Loss for the financial year	-	(558)	(558)
Other comprehensive income	-	-	-
<b>Total comprehensive expense</b>	-	(558)	(558)
<b>At 31 December 2016</b>	<b>25,700</b>	<b>7,558</b>	<b>33,258</b>

The notes on pages 14 to 28 are an integral part of these financial statements.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016**

### **1. Corporate information**

Air Liquide Limited is a Company incorporated in the United Kingdom. The registered address of the Company is given on page 1. The principal operations of the Company are included in the directors' report on page 4.

The principal accounting policies applied in the preparation of these financial statements are set out below. The accounting policies have been consistently applied to all years presented.

### **2. Accounting policies**

#### **a. Basis of preparation**

##### ***Statement of compliance***

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006.

##### ***Basis of measurement***

The financial statements have been prepared on the historical cost basis.

##### ***Consolidated financial statements***

The Company is exempt from the requirement to prepare consolidated financial statements under Section 400 of the Companies Act 2006. Consolidated financial statements are prepared by Air Liquide SA, the ultimate parent undertaking, incorporated in France and are available from the address set out in note 23. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

##### ***Going concern***

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements.



## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.1 Basis of preparation (continued)**

#### ***Disclosure exemptions applied***

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 18(118)(e)).
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and
- (viii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of the group, Air Liquide SA which the Company is consolidated into.

Further, as permitted by FRS 101 paragraph 7A, the Company has not presented an opening statement of financial position at the date of transition.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.1. Basis of preparation (continued)**

#### ***Functional and presentational currency***

The Company's functional currency is Sterling, as this is the currency of the primary economic environment of that which the Company operates. The financial statements are presented in Sterling.

#### ***Use of estimates and judgements***

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.14.

### **2.2. Foreign currency**

Transactions in foreign currencies are translated into the functional currency at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as 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.

Foreign currency differences arising on translation are recognised in profit or loss.

### **2.3. Revenue**

Revenue represents the amount receivable for the sale of medical gases and associated equipment during the year, excluding VAT and trade discounts. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. Revenue for the sale of medical gases and associated equipment is recognised when invoiced.

### **2.4. Income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.4. Income tax (continued)**

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

### **2.5. Intangible assets**

Intangible assets are initially measured at cost. After initial recognition, intangible assets are recognised at cost less any accumulated amortisation and any accumulated impairment losses.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

The amortisation period and the amortisation method for intangible assets with a finite useful life is reviewed at least each financial year-end. If the expected useful of the asset is different from previous estimates, the amortisation period is changed accordingly.

At the year-end, the following estimated useful lives of other intangible assets were as follows:

Computer software	10-30% per annum
Licenses	Life of related contract

### **2.6. Property plant and equipment**

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Freehold buildings	40 years
Leasehold land and buildings	life of lease
Plant and machinery	5-30 years for cylinders and 4-10 years for others

Construction in progress is not depreciated until brought into use.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.6. Property plant and equipment (continued)**

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in profit or loss.

### **2.7. Investments in subsidiary undertakings**

Investments in subsidiary undertakings are measured at cost less accumulated impairment losses.

### **2.8. Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying value of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit.

The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

### **2.9. Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost of inventories comprises all costs incurred in bringing each product to its present location and condition, as follows:

- Raw materials, consumables and goods for resale – purchase cost
- Work in progress and finished goods – costs of direct materials and labour plus attributable overheads based on a normal level of activity

Cost is determined on a first-in, first-out (“FIFO”) basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### **2.10. Financial instruments**

#### ***Financial assets carried at amortised cost***

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.10. Financial instruments (continued)**

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

#### ***Financial liabilities carried at amortised cost***

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

#### ***Derivative financial instruments***

The Company uses forward foreign currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recognised at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value are taken directly to profit or loss.

### **2.11. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

### **2.12. Equity and reserves**

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

### **2.13. Leased assets**

#### ***Finance leases***

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

This liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

#### ***Operating leases***

All other leases are treated as operating leases. Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

## **Notes to the Financial Statements**

**for the year ended 31 December 2016 (continued)**

### **2.14. Significant management judgements in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

#### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Company that have the most effect on the financial statements.

##### *Revenue recognition*

Management recognise revenue when the sale of good is invoiced. In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18

“Revenue” and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

##### *Recognition of deferred tax assets*

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

#### **Estimation uncertainty**

Information about estimates and assumption that have the most significant effect on the recognition of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

##### *Impairment of non-financial assets*

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and where applicable, using an interest rate to discount them. Estimation uncertainty relates to the assumptions about future operating results and the determination of a suitable discount rate.

##### *Fair value measurement*

Management uses valuation techniques to determine the fair value of assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management base the assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual process that would be achievable in an arm's length transaction at the reporting date.

##### *Determining residual values and useful economic lives of fixed assets*

The Company depreciates tangible fixed assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **3. Revenue**

The revenue and profit before taxation were derived from one activity, being the supply of medical gases.

All of this revenue was derived in, and had a destination within, the UK.

### **4. Operating profit**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Operating profit is stated after charging/(crediting):		
Depreciation of property, plant and equipment	579	623
Amortisation of intangible assets	39	49
Loss/(profit) on disposal of property, plant and equipment	-	(14)
Cost of inventories recognised as expense	490	480
Fees paid to auditors		
- Statutory audit	10	-
- Non-audit fees	-	-
Operating lease rentals		
- Plant and machinery	14	27
- Other	2	1

In 2015 audit fees were paid by Air Liquide UK Limited under a shared services agreement. No amounts were recharged or rechargeable to the company for these arrangements.

### **5. Directors' remuneration**

During the year none (2015: none) of the directors received remuneration from Air Liquide Limited for their services as directors to the company. All directors received remuneration for their services to the wider Air Liquide group and for their specific services to the company. No amounts are recharged or rechargeable to the company for the services of directors.

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **6. Employees**

#### **Number of employees**

The average monthly number of employees (including directors) during the year was:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Production	4	3
Sales and administration	4	4
	<u>8</u>	<u>7</u>

#### **Employment costs**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	339	318
Social security costs	37	34
Other pension costs	17	18
Redundancy costs	-	20
	<u>393</u>	<u>390</u>

The increase in wages and salaries is due to the direct employment of some staff previously included in under the terms of a service level agreement with Air Liquide UK Limited.



## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **7. Income tax**

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Tax for current year	(161)	-
Prior year adjustment	(72)	-
Total current tax expense	<u>(233)</u>	<u>-</u>
Deferred tax for current year	(28)	-
Total tax expense/(credit)	<u>(261)</u>	<u>-</u>

The tax rate used for the reconciliation is the corporate tax rate of 20.00% (2015: 20.25%) payable by the Company in the UK on taxable profits under UK tax law.

The charge for the year can be reconciled to the loss for the year as follows:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
Profit/(loss) before taxation	<u>(819)</u>	<u>(295)</u>
Income tax calculated at 20.00% (2015: 20.25%)	(164)	(60)
Effect of expenses that are not deductible	4	2
Adjustment of tax charge in respect of previous period	(96)	
Effect of change in tax rate	(5)	
Losses not recognised		58
Total tax expense/(credit)	<u>(261)</u>	<u>-</u>

### **8. Dividends paid and proposed**

No dividends were proposed or paid during the current or prior year.

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **9. Intangible assets**

	<b>Computer Software £'000</b>	<b>Licenses £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2016	306	50	356
Additions	-	-	-
<b>As at 31 December 2016</b>	<b>306</b>	<b>50</b>	<b>356</b>
<b>Amortisation</b>			
At 1 January 2016	137	50	187
Charge for the year	39	-	39
<b>As at 31 December 2016</b>	<b>176</b>	<b>50</b>	<b>226</b>
<b>Net book amount</b>			
As at 31 December 2016	<b>130</b>	<b>-</b>	<b>130</b>
As at 31 December 2015	<b>169</b>	<b>-</b>	<b>169</b>

### **10. Property, plant and equipment**

	<b>Land and building £'000</b>	<b>Plant and machinery £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 January 2016	7	10,323	10,330
Additions	-	357	357
<b>As at 31 December 2016</b>	<b>7</b>	<b>10,680</b>	<b>10,687</b>
<b>Depreciation</b>			
At 1 January 2016	5	7,020	7,025
Charge for the year	1	578	579
<b>As at 31 December 2016</b>	<b>6</b>	<b>7,598</b>	<b>7,604</b>
<b>Net book amount</b>			
As at 31 December 2016	<b>1</b>	<b>3,082</b>	<b>3,083</b>
As at 31 December 2015	<b>2</b>	<b>3,303</b>	<b>3,305</b>

At the year end, the amount of contractual commitments for the acquisition of property, plant and equipment was £Nil (2015:£Nil).

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **11. Investments in subsidiary undertakings**

	2016 £'000	2015 £'000
<b>Cost</b>		
At 1 January 2016 and 31 December 2016	<u>43,331</u>	<u>43,331</u>

Details of the Company's subsidiary is set out below:

<b>Company</b>	<b>(In)direct</b>	<b>Class of shares</b>	<b>Percentage shareholding</b>
Air Liquide (Homecare) Limited	Direct	Ordinary £1	100%

The principal activity of the subsidiary is the provision of healthcare services delivered directly to the community in their homes.

The subsidiary is incorporated in the United Kingdom and shares the same registered office as the Company which is disclosed on page 1.

### **12. Inventories**

	2016 £'000	2015 £'000
Raw materials and consumables	110	91
Finished goods and goods for resale	<u>136</u>	<u>253</u>
	<u>246</u>	<u>344</u>

Inventories at the reporting date included a provision of £94,500 against them (2015: £nil).

### **13. Trade and other receivables**

	2016 £'000	2015 £'000
Trade receivables	809	768
Amounts owed by subsidiary undertakings	<u>36,931</u>	<u>36,247</u>
	<u>37,740</u>	<u>37,015</u>

Trade receivables at the reporting date are shown above net of provisions totalling £26k (2015: £78k).

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **14. Trade and other payables**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	392	212
Amounts owed to parent undertaking	50,634	49,831
Amounts owed to fellow subsidiary undertakings	39	-
Taxation and social security	199	194
Accruals	330	161
Other creditors	2	2
	<b>51,596</b>	<b>50,400</b>

All amounts owed from group are repayable on demand, unsecured and no interest is charged.

### **15. Deferred tax liabilities**

	<b>Accelerated capital allowances</b>	<b>Other temporary differences</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2016	110	-	110
Debit/(credit) to profit or loss	(28)	-	(28)
<b>As at 31 December 2016</b>	<b>82</b>	<b>-</b>	<b>82</b>

Analysis of deferred tax balances for financial reporting purposes:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax liabilities	<b>82</b>	<b>110</b>

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **16. Provisions**

	<b>£'000</b>
At 1 January 2016	<b>193</b>
Amounts utilised during the year	<b>(73)</b>
<b>Balance as at 31 December 2016</b>	<b>120</b>

Provisions relate to expected costs associated with business restructuring as a result of lost contracts. The provision is expected to be substantially utilised within the next year.

### **17. Pensions**

Air Liquide Limited operates two defined contribution schemes. One of these is open to all staff who have been employed by the company for at least 12 months. The other scheme is now closed to new entrants. The assets of the schemes are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and has been disclosed in note 6. Contributions totaling £1,756 (2015: £2,000) were payable to the fund at the year-end and are included in trade and other payables.

### **18. Share capital**

	<b>2016 £'000</b>	<b>2015 £'000</b>
<b>Authorised</b>		
30,000,000 Ordinary shares of £1 each	<b>30,000</b>	<b>30,000</b>
<b>Allotted, called up and fully paid</b>		
25,700,000 Ordinary shares of £1 each	<b>25,700</b>	<b>25,700</b>

### **19. Contingent liabilities**

At 31 December 2016, the Company had no contingent liabilities (2015: none).

## **Notes to the Financial Statements**

for the year ended 31 December 2016 (continued)

### **20. Financial commitments**

The Company has no finance leases.

The Company has operating leases for motor vehicles.

At 31 December 2016, the Company's future minimum rentals payable under non-cancellable operating leases were as follows:

	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
<b>Motor vehicles</b>		
In one year or less	6	11
Between one and five years	-	3
In five years or more	-	-
	<u>6</u>	<u>14</u>

### **21. Related party relationships and transactions**

The Company did not enter into any related party transactions other than with group undertakings that are wholly owned members of the same group (2015: None).

### **22. Events after the reporting period**

There are no significant events after the year-end which the Directors believe need to be amended or disclosed in these financial statements.

### **23. Ultimate controlling party**

The Company's immediate parent undertaking is Air Liquide UK Limited, which is incorporated in France. The Company's ultimate parent undertaking and controlling party is Air Liquide SA, which is incorporated in France.

Copies of the Air Liquide SA group financial statements may be obtained from:

Air Liquide SA  
75 Quai d'Orsay  
75321 Paris Cedex 07  
France