

Annual Report Industrial Supplies & Services Limited

2013



Industrial Supplies & Services Limited

Annual report for the year ended 31 December 2013

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Directors' report for the year ended 31 December 2013

Principal activities

The principal activity of the company in the year under review was the management and administration of its subsidiary companies, whose principal activities are the sale and distribution of welding consumables, safety and related industrial products and equipment.

Business review

The company's income is mainly derived from dividends and management charges from its subsidiary undertakings. Investment income rose during the year to £1,120,392 (2012: £558,232) following an increase in dividends received.

The company's operating income for the year of £5,479,304 (2012: £860,323) includes a one off non-recurring profit on the sale of a subsidiary company, Leengate Valves Limited, of £4,739,686.

Overall, the directors are of the opinion that the company and its subsidiaries are responding well in the current difficult trading environment and believe that the financial position of the company is sound.

The company is focussed on improving profit margins and refers to gross and net profits and net asset value as key performance indicators.

Dividends

No interim dividends have been paid during the year (2012: £nil) and the directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: £nil).

Directors

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

Mr S. Hudson
Mr N. Palmer
Mrs S. Williams

The directors are not subject to retirement by rotation.

Political and charitable contributions

The company has not made any political or charitable donations during the year.

Disclosure of information to auditor

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

Directors' report for the year ended 31 December 2013 (continued)

Auditor

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

By order of the Board



S Kelly
Secretary

18 September 2014

Redfield Road, Lenton, Nottingham, NG7 2UJ

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

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

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

Pursuant to the Act, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Act. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

We have audited the financial statements of Industrial Supplies & Services Limited for the year ended 31 December 2013 set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

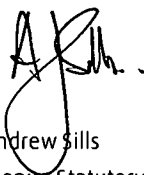
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the director's were not entitled to the small companies exemption in not preparing a strategic report.



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

Chartered Accountants
1 The Embankment
Neville Street
Leeds
LS1 4DW
22 September 2014

Profit and loss account for the year ended 31 December 2013

	Note	2013	2012
In £			
Administrative expenses		(884,410)	(1,059,769)
Operating income		5,479,304	860,323
Operating profit/(loss)	[2]	4,594,894	(199,446)
Investment income	[3]	1,120,392	558,232
Other interest receivable and similar income	[5]	58,855	61,238
Interest payable and similar charges	[5]	(93,743)	(118,740)
Profit on ordinary activities before taxation		5,680,398	301,284
Taxation	[6]	(1,300)	(1,225)
Profit for the financial year	[17]	5,679,098	300,059

All of the above relates to continuing operations.

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

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

The notes on page 8 to 17 form an integral part of these financial statements.

Balance sheet as at 31 December 2013

	Note	2013	2012
In £			
Fixed assets			
Tangible assets	[10]	264,138	431,390
Investments	[11]	2,540,853	1,319,642
		2,804,991	1,751,032
Current assets			
Stocks	[12]	9,285	9,281
Debtors	[13]	2,576,493	3,955,930
Cash at bank and in hand		7,758,838	991,500
		10,344,616	4,956,711
Creditors: amounts falling due within one year	[14]	(1,665,061)	(902,295)
Net current assets		8,679,555	4,054,416
Total assets less current liabilities		11,484,546	5,805,448
Creditors: amounts falling due after more than one year	[14]	(4,080,834)	(4,080,834)
Net assets		7,403,712	1,724,614
Capital and reserves			
Called up share capital	[16]	10,250	10,250
Share premium account		14,998	14,998
Profit and loss account		7,378,464	1,699,366
Shareholders' funds	[17]	7,403,712	1,724,614

The notes on page 8 to 17 form an integral part of these financial statements.

The financial statements on pages 6 to 17 were approved by the board of directors on **18** September 2014 and were signed on its behalf by:



Mrs S Williams
Director

Notes to the financial statements for the year ended 31 December 2013

[1] Accounting policies

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

a) Basis of preparation

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

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

b) Cash flow statement

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

The principal accounting policies are set out below:

c) Leases

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

d) Taxation

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

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

e) Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

f) Dividends

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

g) Stock

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

h) Investments

Fixed assets investments are stated at cost less provision for permanent diminution in value.

[1] Accounting policies (continued)**i) Investment income**

Dividend income received from subsidiary undertakings is recognised when they have been approved by a resolution of that company's members.

j) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

k) Group accounts

The company is exempt from the requirement to prepare consolidated financial statements because its results are included in the accounts of a larger group, details of which can be found in note 21.

[2] Operating profit

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

In £	2013	2012
Staff costs [note 9]	573,063	532,650
Operating lease charges:		
Land and buildings	19,490	17,490
Motor vehicles	42,193	38,669
Depreciation and other amounts written off tangible fixed assets	14,873	18,868
Impairment of balances owed by group undertakings [note 4]	-	388,136
Net foreign exchange gains	682	59,389
Profit on disposal of Subsidiary company	4,739,686	-
Profit on sale of Land and Buildings	47,236	-
Audit of financial statements and other services	9,000	21,515

[ii] Audit of these financial statements and other services

In £	2013	2012
Audit of these financial statements	9,000	7,250
Other Accountancy Services	-	14,265
	9,000	21,515

[3] Income from investments

In £	2013	2012
Dividends received	1,120,392	558,232

[4] Impairment of balances owed by group undertakings

During the year management conducted an impairment review of the investment in each subsidiary undertaking.

The review indicated that the companies are able to repay their inter-company debt and therefore no impairment is necessary. In the prior year there was an impairment charge of £388,136.

Following the impairment review and subsequent provisions raised against the balances owed by the subsidiaries in note 20, no adjustment to the carrying value of the investments is required.

The recoverable amount of each subsidiary is calculated using a discounted cash flow model. The key assumptions are outlined below;

The period over which management has projected cash-flows is 5 years; and

The growth rate used to extrapolate cash flows is specific to each subsidiary and is based on historic underlying growth; and

Industrial Supplies & Services Limited is part of a global group. The discount rate used is based on the group rate adjusted for appropriate local risk factors.

[5] Interest

Interest receivable and similar income		
In £	2013	2012
Bank interest	17,965	259
Loan interest received from subsidiary undertakings	40,890	60,979
	58,855	61,238
Interest payable and similar charges		
In £	2013	2012
On amounts payable to group companies	93,743	109,847
Bank interest	-	8,893
	93,743	118,740

[6] Tax on profit on ordinary activities

In £	2013	2012
UK Current tax charge for the year	-	-
a) Deferred tax		
Origination and reversal of timing differences	796	780
Adjustment to tax charge in respect of previous year	504	445
Total deferred tax [note 15]	1,300	1,225
Tax credit on loss on ordinary activities	1,300	1,225
b) factors affecting tax for the year		
The tax assessed for the year is different to the rate of corporation tax in the UK of 23.25% (2012:24.5%).		
The differences are explained below:		
Profit on ordinary activities before taxation	5,680,398	301,284
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK 23.25% (2012:24.5%)	1,320,693	73,815
Effects of:		
Expenses not deductible for tax purposes	33,341	100,082
Capital allowances in excess of depreciation	(796)	(780)
Income not chargeable for tax purposes	(1,373,451)	(136,767)
Short term timing differences	1,026	(5,761)
Group relief for nil consideration	19,187	(30,589)
Current tax charge for the year (as above)	-	-

c) Factors that may affect future tax charges

Finance Act 2013 included provisions to reduce the main rate of corporation tax to 21% from 1 April 2014 and 20% from 1 April 2015. The effect of this rate change on the deferred tax balances as at 31 December 2013 has been included in the deferred tax figures above.

[7] Dividends

There were no interim dividends paid during the financial year (2012 £nil).

[8] Directors emoluments

Certain directors of the company are employed as managers or directors by Industrial Supplies & Services Limited and/or BOC Limited and are remunerated by the relevant company, or companies, in respect of their services. The amount disclosed in this note relates to directors directly employed by this company and amounts charged to this company in respect of directors services where they are not solely employed by this company.

In £	2013	2012
Remuneration and other emoluments	91,577	110,461
Pension contributions	9,898	12,457
	101,475	122,918

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

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

	2013	2012
Management and sales	19	18

[b] Employment costs

In £	2013	2012
Wages and salaries	482,767	434,600
Social security costs	61,616	57,091
Pension costs	28,680	40,959
	573,063	532,650

[10] Tangible assets

In £	Land and buildings	Fixtures, fittings and Equipment	Motor Vehicles	Total
Cost				
At 1 January 2013	546,031	115,041	15,030	676,102
Additions	-	585	-	585
Disposals	(201,525)	(546)	-	(202,071)
At 31 December 2013	344,506	115,080	15,030	474,616
Depreciation				
At 1 January 2013	138,441	91,469	14,802	244,712
Charge for the year	9,810	4,835	228	14,873
Disposals	(48,561)	(546)	-	(49,107)
At 31 December 2013	99,690	95,758	15,030	210,478
Net book value				
At 31 December 2013	244,816	19,322	-	264,138
At 1 January 2013	407,590	23,572	228	431,390

[11] Investments

In £	Shares in group undertakings
Cost at 1 January 2013	1,319,642
Additions	1,398,586
Disposals	(49,144)
Impairment	(128,231)
Cost at 31 December 2013	2,540,853

[11.1] Subsidiary Undertakings and Investments

Company and principal activity	Shares held class	Shares held No.	% of shares held Class
Retail of welding equipment and materials			
Leengate Industrial & Welding Supplies (North East) Limited	Ordinary £1	1,000	100
Industrial & Welding Management Limited	Ordinary £1	1,000	100
Leengate Industrial & Welding Supplies (Lincoln) Limited	Ordinary £1	10,000	100
Leengate Industrial & Welding Supplies Limited	Ordinary £1	9,000	100
Rock Industrial & Welding Supplies Limited	Ordinary £1	9,960	87.5
Pennine Industrial & Welding Supplies Limited	Ordinary £1	10,000	100
Cotswold Industrial & Welding Supplies Limited (non-trading)	Ordinary £1	1	<1%
Leengate Industrial & Welding Supplies (Cannock) Limited	Ordinary £1	100	<1%
Leengate Industrial & Welding Supplies (Nottingham) Limited	Ordinary £1	40,000	100
Future Industrial & Welding Supplies Limited	Ordinary £1	200	100
Gas & Gear Limited (dormant)	Ordinary £1	2	100
Leen Gate Industrial & Welding Supplies (Scotland) Limited	Ordinary £1	1,000	100
Seabrook Industrial & Welding Supplies Limited (non-trading)	Ordinary £1	1,000	<1%
W & G Supplies Limited (non-trading)	Ordinary £1	100	100
Wessex Industrial & Welding Supplies Limited	Ordinary £1	1	100
Express Industrial & Welding Supplies Limited	Ordinary £1	20,000	100
Industrial & Welding Supplies (North West) Limited	Ordinary £1	2	100
Industrial & Welding Supplies Limited (non-trading)	Ordinary £1	1,000	100
Gas Instrument Services Limited (dormant)	Ordinary £1	1,000	100
Allweld Industrial & Welding Supplies Limited	Ordinary £1	1	100
Gwynedd Industrial & Welding Supplies Limited	Ordinary £1	1	100
Leengate Hire & Services Limited (non-trading)	Ordinary £1	10,010	100
Leengate Welding Limited (non-trading)	Ordinary £1	10,000	100
Service of welding equipment			
Welder Equipment Services Limited	Ordinary £1	7500	75
Gas and pipeline products			
Ryval Gas Limited	Ordinary £1	1,000	100
Gaffney Industrial & Welding Supplies Limited	Ordinary £1	80	80

All of the above companies are registered in England and Wales.

During the year, Industrial Services and Supplies Limited acquired 100% of the share holding in Express Industrial & Welding Supplies Limited.

[12] Stocks

In £	2013	2012
Finished goods and goods for resale	9,285	9,281

[13] Debtors

In £	2013	2012
Trade debtors	50,704	1,979
Amounts owed by group undertakings	2,376,900	3,930,307
Other debtors	145,254	18,709
Deferred tax [note 15]	3,635	4,935
	2,576,493	3,955,930

[14] Creditors

In £	2013	2012
Amounts falling due within one year		
Trade creditors	73,842	21,343
Amounts owed to group undertakings	1,437,110	746,582
Other taxes and social security costs	77,804	33,558
Other creditors	76,305	100,812
	1,665,061	902,295

In £	2013	2012
Amounts falling due after more than one year:		
Amounts owed to group undertakings - see note [20]	4,080,834	4,080,834

[15] Deferred tax

In £	2013	2012
Arising from capital allowances in excess of depreciation	(3,635)	(4,935)
At 1 January	(4,935)	(6,160)
Deferred tax credit- see [note 6]	1,300	1,225
At 31 December - see [note 13]	(3,635)	(4,935)

[16] Share capital

In £	2013	2012
Authorised		
20,000 ordinary shares of £1 each	20,000	20,000
Allotted and fully paid		
10,250 Ordinary Shares of £1 each	10,250	10,250

[17] Reconciliation of movements in shareholders' funds

In £	2013	2012
Profit for the financial year	5,679,098	300,059
Opening shareholders' funds	1,724,614	1,424,555
Closing shareholders' funds	7,403,712	1,724,614

[18] Financial Commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating lease commitments expiring as follows:

	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013	As at 31 December 2012
In £	Land and Buildings	Land and Buildings	Other	Other
Within one year	8,745	-	21,524	6,525
Within two to five years	-	-	757	17,902
After five years	-	17,490	-	-
	8,745	17,490	28,600	24,427

[19] Contingent Liabilities

The company has given the bank guarantees to secure monies owed by subsidiary undertakings up to a maximum of £3,155,000. (2012: £3,155,000).

The company has a contingent liability in respect of agreements entered into by certain subsidiary undertakings with the minority shareholders of those undertakings, whereby upon death, retirement or termination of employment of those minority shareholders, the subsidiary or the company may purchase the ordinary shares at a price determined by the relevant agreement.

[20] Related party disclosures

Management and administration charges of £657,715 (2012: £812,323) have been charged to associated subsidiary undertakings.

The company rents its freehold property to associated subsidiary undertakings. Rent receivable for the year amounted to £34,667 (2012: £48,000).

The company was charged interest on group borrowings of £93,743 (2012: £109,827).

The company received interest on group borrowings of £40,890 (2012: £60,979).

The company received dividend income of £1,120,392 (2012: £508,232).

At 31 December 2013 the following balances with related parties were held;

In £	2013	2012
Amounts due from associated subsidiary undertakings within one year	1,839,700	2,448,825
Split by;		
Allweld Industrial & Welding Supplies Limited	7,649	6,406
Express Industrial & Welding Supplies Limited	23,809	28,603
Gaffney Industrial & Welding Supplies Limited	23,513	65,459
Gwynedd Industrial & Welding Supplies Limited	5,274	8,300
Industrial & Welding Management Limited	390,832	450,718
Industrial & Welding Supplies (North West) Limited	454,995	459,040
Leengate Industrial & Welding Supplies Limited	12,456	37,496
Future Industrial & Welding Supplies Limited	10,335	6,650
Leengate Industrial & Welding Supplies (Lincoln) Limited	8,923	10,376
Leen Gate Industrial & Welding Supplies (Scotland) Limited	14,837	67,758
Leengate Industrial & Welding Supplies (North East) Limited	19,599	104,507
Welder Equipment Services Limited	6,792	50,985
Leengate Industrial & Welding Supplies (Nottingham) Limited	438,134	402,259
Pennine Industrial & Welding Supplies Limited	179,619	196,891
Rock Industrial & Welding Supplies Limited	28,634	62,668
Wessex Industrial & Welding Supplies Limited	5,650	3,696
Leengate Hire & Services Limited	208,649	208,649
Leengate Valves Limited (sold 31 December 2013)	-	110,512
Industrial & Welding Supplies Limited	-	167,852

[20] Related party disclosures (continued)

In £	2013	2012
Amounts due from associated subsidiary undertakings over one year	477,638	1,257,060
Split by;		
Ryval Gas Limited	50,018	-
Allweld Industrial & Welding Supplies Limited	50,000	-
Pennine Industrial & Welding Supplies Limited	110,000	110,000
Wessex Industrial & Welding Supplies Limited	137,060	137,060
Express Industrial & Welding Supplies Limited	130,560	-
Industrial & Welding Supplies Limited	-	1,010,000
In £	2013	2012
Amounts due from indirect parent undertaking	59,562	224,422
In £	2013	2012
Amounts due to associated subsidiary undertakings	134,553	167,281
Split by;		
Express Industrial & Welding Supplies Limited	-	11,462
Industrial & Welding Management Limited	1,396	44,391
Pennine Industrial & Welding Supplies Limited	-	13,654
Leengate Industrial & Welding Supplies (Nottingham) Limited	281	1,269
Leengate Industrial & Welding Supplies (Cannock) Limited	-	51,288
Welder Equipment Services Limited	281	1,035
Gaffney Industrial & Welding Supplies Limited	-	2,048
Leengate Industrial & Welding Supplies Limited	-	1,434
Leengate Industrial & Welding Supplies (Lincoln) Limited	-	1,904
Rock Industrial & Welding Supplies Limited	-	1,467
W&G Supplies Limited	132,515	-
Other	80	37,329
In £	2013	2012
Amounts due to indirect parent undertaking	5,383,391	4,660,135

[21] Ultimate parent undertaking

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

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

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