

Registration number: 01982670

Lincoln Electric (U.K.) Limited

Annual Report and Financial Statements

for the Year Ended 31 December 2021

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Lincoln Electric (U.K.) Limited

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Lincoln Electric (U.K.) Limited

Company Information

Director	M Chalmers
Company secretary	A Swart
Registered office	Mansfield Road Aston Sheffield South Yorkshire S26 2BS
Solicitors	Jones Day 21 Tudor Street Temple London EC4Y 0DJ
Bankers	Bank of America N.A 2 King Edward Street London EC1A 1HQ
Auditors	Azets Audit Services Limited 33 Park Place Leeds LS1 2RY

Lincoln Electric (U.K.) Limited

Strategic Report for the Year Ended 31 December 2021

The strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the company is the manufacture of solid welding wire, and the distribution of a comprehensive range of arc welding & cutting products.

Fair review of the business

The company's key financial and other performance indicators during the year were as follows:

Financial KPIs	2021	2020
Turnover	(38,545)	(31,142)
Operating profit	8,336	2,531
Profit after tax	6,083	3,005
Equity shareholders' funds	25,185	10,507
Current assets as a % of current liabilities ('quick ratio')	2	4
Accounts receivable turnover days	98	102
Average number of employees	76	78

Principal risks and uncertainties

The main risks associated with the company's financial assets and liabilities are set out below.

Competitive risks

The company draws upon a wide market base for its sales opportunities and as such is not reliant on any single customer or segment for a significant proportion of its business.

The Arc Welding market has always been highly competitive and barriers to entry to the market are not too stringent or onerous. However, Lincoln Electric's overall strength and position in the global market provides the necessary platform to achieve sales growth in the UK & Eire.

Financial instrument risks

The management team conducts an annual risk assessment of the business and manages the risks identified to proactively prevent any material and adverse risk to the company's future operating profits or financial position. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk.

Lincoln Electric (U.K.) Limited

Strategic Report for the Year Ended 31 December 2021

Price risk

The company's price risk arises primarily from exposure to changes in commodity prices and energy prices. The availability and prices for raw materials (primarily steel and copper) are subject to volatility and are influenced by worldwide economic conditions.

Lincoln Electric continues to use its European and Global reach to combine purchasing power in order to reduce exposure to price risks. The company also seeks continuous sourcing improvements for provision of energy supplies.

The company plans to continue to manage price risks in this manner in 2022.

Credit risk

The company is exposed to the risk that a customer will fail to discharge an obligation and that this in turn will cause a financial loss. The company maintains an allowance for doubtful accounts for estimated losses based on the age of the related receivable, knowledge of the financial condition of the customer, and review of the customer payment history. Historically, the company's reserves have been adequate to cover any losses. The company has continued to self-insure against the risk of bad debt and has not experienced any material losses as a result of careful and prudent credit and receivable management.

Impact from the risks related to the Covid-19 pandemic

The company was exposed to the risk related to business disruption caused by the Covid pandemic during 2020 - 2021. The directors of the company are confident that this pandemic will not impact the company's ability to continue as a going concern. Despite some decline in sales over the 2020 period we saw a return to normal sales levels in 2021 to pre-Covid levels. The Board of Directors has considered the potential impact and does not consider that there will be a significant impact on the company as a company.

Section 172(1) statement

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Our directors have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

Likely consequences of any decisions in the long-term

The directors also take into account the views and interests of a wider set of stakeholders when making decisions. During the year the Board received information to enable them to consider the impact of the company's decisions on its key stakeholders. This information was distributed in a range of different formats, including through reports and presentations on our financial and operational performance, non-financial KPIs and risks. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. By considering the company's purpose and values, together with its strategic priorities and having a process in place for decision-making, we do, however, aim to balance those different perspectives.

Lincoln Electric (U.K.) Limited

Strategic Report for the Year Ended 31 December 2021

The interest of the company's employees

Our employees are key to our success in achieving our vision. All employees are encouraged to be honest and regular discussions are held with employees to foster an open environment to allow employees to engage with all levels of management.

The need to foster the company's business relationships with, suppliers, customers and other.

We carry out our business with similar-minded people and build on this to forge lasting partnerships to help achieve our long term goals.

Impact of the company's operations on the community and environment

We are proud to be part of the local and wider communities. It is our aim to create opportunities to recruit and develop local people.

Desirability of the company maintaining a reputation for high standards of business conduct.

All employees undergo regular training and have access to all our Policies and procedures as well as Code of conduct to enable them to maintain the high standards of our business.

Need to act fairly as between members of the company.

The company aims to act with integrity in all of its business relationships and will consider all members and stakeholders when making decisions for the overall good of the company

Environmental matters

The Company's facilities are subject to environmental regulations. In 2005, the Company was awarded and has since retained the Environmental Certification ISO 14001 and has continued to seek opportunities to improve its handling of waste as a result of its manufacturing and commercial operations. The company is fully compliant with the WEEE regulations in respect of welding equipment supplied into the UK market, and complies with government packaging recycling regulations through Valpak.

Approved and authorised by the director on 16 December 2022

Mike Chalmers

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M Chalmers
Director

Lincoln Electric (U.K.) Limited

Director's Report for the Year Ended 31 December 2021

The report and the financial statements for the year ended 31 December 2021.

Director of the company

The directors who held office during the year were as follows:

M Chalmers

D Iuston (ceased 21 December 2021)

Results and dividends

The profit for the year, after taxation, amounted to £6,083 thousand (2020- £2,410 thousand).

The Directors do not recommend a dividend for the year ended 31 December 2021 (2020- £ Nil).

Future developments

The Company continues to expand its operations whilst maintaining control of costs. We are focused on the provision of a first class service to our clients at competitive prices.

Going concern

The company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The financial position of the company and its liquidity position are summarised in the Statement of Financial Position. The Strategic Report also outlines the company's objectives, policies and procedures for managing capital, its financial risk management objectives, and its exposure to credit risk. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the financial statements. Thus they continue to adopt the going concern basis in preparing these financial statements.

Disclosure of information to the auditors

The director has taken steps that ought to have taken as a director in order to make aware of any relevant audit information and to establish that the company's auditors are aware of that information. The director confirms that there is no relevant information that of and of which the auditors are unaware.

Lincoln Electric (U.K.) Limited

Director's Report for the Year Ended 31 December 2021

Reappointment of auditors

The auditors Azets Audit Services Limited are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved and authorised by the director on 16 December 2022

Mike Chalmers

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M Chalmers

Director

Lincoln Electric (U.K.) Limited

Statement of Director's Responsibilities

The responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless 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 director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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 director is 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 to ensure that the financial statements comply with the Companies Act 2006. 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.

Lincoln Electric (U.K.) Limited

Independent Auditor's Report to the Members of Lincoln Electric (U.K.) Limited

Opinion

We have audited the financial statements of Lincoln Electric (U.K.) Limited (the 'company') for the year ended 31 December 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit 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.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Lincoln Electric (U.K.) Limited

Independent Auditor's Report to the Members of Lincoln Electric (U.K.) Limited

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Director's Report.

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.

Responsibilities of the director

As explained more fully in the Statement of Director's Responsibilities [set out on page 7], the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for 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 the director either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Lincoln Electric (U.K.) Limited

Independent Auditor's Report to the Members of Lincoln Electric (U.K.) Limited

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management, and from inspection of the company's regulatory and legal correspondence. We discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of noncompliance during the audit.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation, taxation legislation and further laws and regulations that could indirectly affect the financial statements, comprising environmental, Data Protection Regulations, employment legislation and health and safety and, in the current climate, Covid 19 regulations. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. These procedures did not identify any potentially material actual or suspected non-compliance.

To identify risks of material misstatement due to fraud we considered the opportunities, incentives and pressures that may exist within the company to commit fraud. Our risk assessment procedures included: enquiry of directors to understand the high-level policies and procedures in place to prevent and detect fraud, reading Board minutes and considering performance targets and incentive schemes in place for management. We communicated identified fraud risks throughout our team and remained alert to any indications of fraud during the audit.

As a result of these procedures, we identified the greatest potential for fraud in the following areas:

- revenue recognition and in particular the risk that revenue is recorded in the wrong period; and
- subjective accounting estimates

Both fraud risks arise due to a desire to present stronger results and enable management to benefit from enhanced incentives. As required by auditing standards we also identified and addressed the risk of management override of controls.

We performed the following procedures to address the risks of fraud identified:

- identifying and testing high risk journal entries through vouching the entries to supporting documentation.
- assessing significant accounting estimates for bias.
- testing the timing and recognition of revenue and, in particular, that it was appropriately recognised.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Lincoln Electric (U.K.) Limited

Independent Auditor's Report to the Members of Lincoln Electric (U.K.) Limited

Use of our report

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.

Azets Audit Services Limited

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Jessica Lawrence

For and on behalf of Azets Audit Services Limited

33 Park Place

Leeds

LS1 2RY

16 December 2022

Lincoln Electric (U.K.) Limited

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	38,545	31,142
Cost of sales		<u>(26,310)</u>	<u>(22,939)</u>
Gross profit		12,235	8,203
Administrative expenses		(3,919)	(5,673)
Other operating income	4	<u>20</u>	<u>319</u>
Operating profit	5	<u>8,336</u>	<u>2,849</u>
Other interest receivable and similar income	9	515	308
Interest payable and similar expenses	10	<u>(123)</u>	<u>(152)</u>
		<u>392</u>	<u>156</u>
Profit before tax		8,728	3,005
Tax on profit	11	<u>(2,645)</u>	<u>(595)</u>
Profit for the financial year		<u><u>6,083</u></u>	<u><u>2,410</u></u>

The above results were derived from continuing operations.

Lincoln Electric (U.K.) Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Profit for the year	<u>6,083</u>	<u>2,410</u>
Difference between net defined benefit liability and the carrying value of a multi-employer defined benefit pension scheme	6,222	(3,528)
Tax relating to other comprehensive income	<u>(1,259)</u>	<u>671</u>
	<u>4,963</u>	<u>(2,857)</u>
Total comprehensive income for the year	<u>11,046</u>	<u>(447)</u>

The notes on pages 16 to 35 form an integral part of these financial statements.

Lincoln Electric (U.K.) Limited
(Registration number: 01982670)
Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	12	12,882	280
Tangible assets	13	<u>3,114</u>	<u>1,639</u>
		<u>15,996</u>	<u>1,919</u>
Current assets			
Stocks	15	6,937	2,474
Debtors	16	18,010	26,579
Cash at bank and in hand		<u>213</u>	<u>1,485</u>
		25,160	30,538
Creditors: Amounts falling due within one year	18	<u>(15,184)</u>	<u>(8,628)</u>
Net current assets		<u>9,976</u>	<u>21,910</u>
Total assets less current liabilities		25,972	23,829
Provisions for liabilities	19	<u>40</u>	<u>6</u>
Net assets excluding pension asset/(liability)		25,932	23,823
Net pension liability 1	20	<u>(1,968)</u>	<u>(10,905)</u>
Net assets		<u>23,964</u>	<u>12,918</u>
Capital and reserves			
Called up share capital	21	5,550	5,550
Capital redemption reserve		3,630	3,630
Profit and loss account		<u>14,784</u>	<u>3,738</u>
Shareholders' funds		<u>23,964</u>	<u>12,918</u>

Approved and authorised by the director on 16 December 2022

Mike Chalmers

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M Chalmers
Director

Lincoln Electric (U.K.) Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2021	5,550	3,630	3,738	12,918
Profit for the year	-	-	6,083	6,083
Other comprehensive income	-	-	4,963	4,963
Total comprehensive income	-	-	11,046	11,046
At 31 December 2021	<u>5,550</u>	<u>3,630</u>	<u>14,784</u>	<u>23,964</u>

	Share capital	Capital redemption reserve	Profit and loss account	Total
	£ 000	£ 000	£ 000	£ 000
At 1 January 2020	5,550	3,630	4,185	13,365
Profit for the year	-	-	2,410	2,410
Other comprehensive income	-	-	(2,857)	(2,857)
Total comprehensive income	-	-	(447)	(447)
At 31 December 2020	<u>5,550</u>	<u>3,630</u>	<u>3,738</u>	<u>12,918</u>

The notes on pages 16 to 35 form an integral part of these financial statements.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in United Kingdom.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The address of its registered office is:

Mansfield Road
Aston
Sheffield
South Yorkshire
S26 2BS

These financial statements were authorised for issue by the director on 16 December 2022.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

Name of parent of group

These financial statements are consolidated in the financial statements of Lincoln Electric Holdings Inc..

The financial statements of Lincoln Electric Holdings Inc. may be obtained from 22801 St. Clair Avenue, Cleveland, Ohio, 44117, USA.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Going concern

The company's business activities, together with the factors likely to affect its future developments, performance and position are set out in the Strategic Report. The financial position of the company and its liquidity position are summarised in the Statement of Financial Position. The Strategic Report also outlines the company's objectives, policies and procedures for managing capital, its financial risk management objectives, and its exposure to credit risk. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and for a period of at least 12 months from the date of the approval of the financial statements. Thus they continue to adopt the going concern basis in preparing these financial statements.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates.

The following are the company's judgements and key sources of estimation uncertainty.

Defined Benefit Pension Scheme Liability

The cost of defined benefit scheme and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determine the net pension obligation in the balance sheet. The assumptions reflects historical experience and current trend. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country. Annually the company engages independent actuaries to calculate the obligation based on these assumptions. Further details are given in note 23.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

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. Further details are contained in note 11.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Government grants

Government grants in relation to tangible fixed asset are credited to profit and loss account over the useful lives of the related assets, whereas those in relation to expenditure are credited when the expenditure is charged to profit and loss.

Finance income and costs policy

Interest income is recognised in profit or loss using the effective interest method.

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Tangible assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is 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.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold property	30 to 40 years
Plant & machinery	5 to 15 years
Fixtures & fittings	5 to 10 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Intangible assets

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

Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Trade debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

Trade creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Operating Leases

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Defined contribution pension obligation

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations. The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Defined benefit pension obligation

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of plan assets at the reporting date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Financial instruments

Classification

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Recognition and measurement

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedging

Derivatives

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Sale of goods	<u>38,545</u>	<u>31,142</u>

The analysis of the company's turnover for the year by market is as follows:

	2021	2020
	£ 000	£ 000
UK	27,185	22,501
Europe	11,259	8,491
Rest of world	<u>101</u>	<u>150</u>
	<u>38,545</u>	<u>31,142</u>

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2021	2020
	£ 000	£ 000
Government grants	<u>20</u>	<u>319</u>

5 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£ 000	£ 000
Depreciation expense	308	351
Amortisation expense	36	36
Foreign exchange losses/(gains)	58	(39)
Operating lease expense - other	213	293
Government grants	<u>(20)</u>	<u>(319)</u>

6 Auditors' remuneration

	2021	2020
	£ 000	£ 000
Audit of the financial statements	<u>37</u>	<u>38</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	3,727	4,310
Social security costs	589	418
Pension costs, defined contribution scheme	461	314
Pension costs, defined benefit scheme	(1,682)	620
	<u>3,095</u>	<u>5,662</u>

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

	2021 No.	2020 No.
Production	34	33
Administration and support	42	50
	<u>76</u>	<u>83</u>

8 Director's remuneration

The director's remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	121	123
Contributions paid to money purchase schemes	17	42
	<u>138</u>	<u>165</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2021 No.	2020 No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

9 Other interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest income on bank deposits	-	7
Other finance income	515	301
	<u>515</u>	<u>308</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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	<u>515</u>	<u>308</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Interest payable and similar expenses

	2021 £ 000	2020 £ 000
Other finance costs	<u>123</u>	<u>152</u>

11 Taxation

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	1,156	476
UK corporation tax adjustment to prior periods	<u>844</u>	<u>24</u>
	<u>2,000</u>	<u>500</u>
Deferred taxation		
Arising from origination and reversal of timing differences	502	95
Arising from changes in tax rates and laws	(158)	-
Arising from the transfer of trade assets	<u>301</u>	<u>-</u>
Total deferred taxation	<u>645</u>	<u>95</u>
Tax expense in the income statement	<u>2,645</u>	<u>595</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2020 - the same as the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Profit before tax	<u>8,728</u>	<u>3,005</u>
Corporation tax at standard rate	1,658	571
Decrease from effect of different UK tax rates on some earnings	(157)	-
Effect of expense not deductible in determining taxable profit (tax loss)	3	-
Increase in UK and foreign current tax from adjustment for prior periods	844	24
Tax increase from effect of capital allowances and depreciation	300	-
Tax decrease arising from group relief	(2)	-
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(1)</u>	<u>-</u>
Total tax charge	<u>2,645</u>	<u>595</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

After the year-end at the 2022 Budget the Government announced that the main rate of corporation tax would change to 25%. Accordingly deferred tax balances will be calculated at this rate at future reporting dates.

12 Intangible assets

	Goodwill £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	360	360
Additions acquired separately	<u>12,638</u>	<u>12,638</u>
At 31 December 2021	<u>12,998</u>	<u>12,998</u>
Amortisation		
At 1 January 2021	80	80
Amortisation charge	<u>36</u>	<u>36</u>
At 31 December 2021	<u>116</u>	<u>116</u>
Carrying amount		
At 31 December 2021	<u>12,882</u>	<u>12,882</u>
At 31 December 2020	<u>280</u>	<u>280</u>

The goodwill balance arose on the acquisition of the trade and assets of Lincoln Electric Welding UK Limited and Weartech International Limited .

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13 Tangible assets

	Land and buildings £ 000	Plant & machinery £ 000	Furniture, fittings and equipment £ 000	Capital in progress £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	2,422	6,097	506	27	9,052
Additions	-	77	-	129	206
Acquired through business combinations	1,095	402	37	43	1,577
Disposals	-	(77)	(14)	-	(91)
Transfers	-	28	-	(29)	(1)
At 31 December 2021	<u>3,517</u>	<u>6,527</u>	<u>529</u>	<u>170</u>	<u>10,743</u>
Depreciation					
At 1 January 2021	2,218	4,877	318	-	7,413
Charge for the year	30	254	24	-	308
Eliminated on disposal	-	(77)	(15)	-	(92)
At 31 December 2021	<u>2,248</u>	<u>5,054</u>	<u>327</u>	<u>-</u>	<u>7,629</u>
Carrying amount					
At 31 December 2021	<u>1,269</u>	<u>1,473</u>	<u>202</u>	<u>170</u>	<u>3,114</u>
At 31 December 2020	<u>204</u>	<u>1,220</u>	<u>188</u>	<u>27</u>	<u>1,639</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Business combinations

On 31 December 2021, Lincoln Electric (U.K.) Limited acquired net assets of WEARTECH INTERNATIONAL LIMITED

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Fair value 2021 £ 000
Assets and liabilities acquired	
Financial assets	4,258
Stocks	2,797
Tangible assets	1,577
Financial liabilities	<u>(1,697)</u>
Total identifiable assets	<u>6,935</u>
Goodwill	<u>12,277</u>
Total consideration	<u>19,212</u>
Satisfied by:	
Cash	<u>19,212</u>
Cash flow analysis:	
Cash consideration	<u>19,212</u>

The useful life of goodwill is 10 years.

15 Stocks

	2021 £ 000	2020 £ 000
Raw materials and consumables	3,542	440
Work in progress	403	122
Finished goods and goods for resale	<u>2,992</u>	<u>1,912</u>
	<u>6,937</u>	<u>2,474</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

16 Debtors

	Note	2021 £ 000	2020 £ 000
Trade debtors		8,869	5,262
Amounts owed by related parties		7,231	18,976
Other debtors		3	13
Prepayments		1,873	289
Deferred tax assets	11	34	1,938
Income tax asset	11	-	101
		<u>18,010</u>	<u>26,579</u>

17 Cash and cash equivalents

	2021 £ 000	2020 £ 000
Cash at bank	213	1,485
Bank overdrafts	<u>(263)</u>	<u>-</u>
Cash and cash equivalents in statement of cash flows	<u>(50)</u>	<u>1,485</u>

18 Creditors

	Note	2021 £ 000	2020 £ 000
Due within one year			
Loans and borrowings	22	263	-
Trade creditors		5,923	2,154
Amounts due to related parties		5,471	4,778
Social security and other taxes		1,109	868
Accruals		1,410	828
Income tax liability	11	1,000	-
Deferred income		<u>8</u>	<u>-</u>
		<u>15,184</u>	<u>8,628</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19 Provisions for liabilities

	Other provisions £ 000	Total £ 000
At 1 January 2021	6	6
Additional provisions	34	34
At 31 December 2021	40	40

20 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £459,987 (2020 - £313,946).

Defined benefit pension schemes

This is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 5 April 2018 and updated 31 December 2020 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

The date of the most recent comprehensive actuarial valuation was 01 January 0001. The actuarial valuation as at 5 April 2018 showed a deficit of £3,394,000. The company agreed with the trustees that it would eliminate the deficit by 30 June 2022 via the payment of a monthly deficit contributions of £80,750 from 1 July 2019 to 30 June 2022. In addition and in accordance with the actuarial valuation, the company agreed with the trustees that from 1 July 2019 it will pay 36.8% of pensionable earnings in respect of the cost of accruing benefits (previous contributions rate was 29.4%) and will meet the expenses of the scheme and levies to the Pension Protection Fund. Additional contributions will be paid in respect of augmentations of benefit improvements as agreed with the Scheme Actuary. Member contributions are payable in addition at the rate of 7% pensionable pay.

The total cost relating to defined benefit schemes for the year recognised in profit or loss as an expense was £(1,691) (2020 - £708).

The total cost relating to defined benefit schemes for the year included in the other comprehensive income £(6,222) (2020 - £3,528).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the Income Statement and the Statement of Other Comprehensive income are as follows:

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

	2021 £ 000	2020 £ 000
Fair value of scheme assets	34,835	33,180
Present value of defined benefit obligation	<u>(36,803)</u>	<u>(44,085)</u>
Defined benefit pension scheme deficit	<u>(1,968)</u>	<u>(10,905)</u>

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021 £ 000
Present value at start of year	44,085
Current service cost	111
Interest cost	580
Benefits paid	(2,148)
Contributions by scheme participants	9
(Gain) / loss on curtailments / changes / introductions	(1,925)
Effect of changes in assumptions	(1,015)
Effect of experience adjustments	<u>(2,894)</u>
Present value at end of year	<u>36,803</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2021 £ 000
Fair value at start of year	33,180
Interest income	457
Return on plan assets, excluding amounts included in interest income/(expense)	2,313
Employer contributions	1,024
Contributions by scheme participants	9
Benefits paid	<u>(2,148)</u>
Fair value at end of year	<u>34,835</u>

Analysis of assets

The major categories of scheme assets are as follows:

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Cash and cash equivalents	18	79
Debt instruments	-	10,629
Diversified Growth Funds	22,331	22,472
Equity instruments	5,342	-
Liability Driven Investment	7,144	-
	<u>34,835</u>	<u>33,180</u>

Return on scheme assets

	2021	2020
	£ 000	£ 000
Return on scheme assets	<u>2,313</u>	<u>1,070</u>

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2021	2020
	%	%
Discount rate	1.90	1.40
Future salary increases	-	3.50
Future pension increases	2.75	2.25
Inflation	<u>3.50</u>	<u>3.00</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22.00	21.00
Current UK pensioners at retirement age - female	24.00	23.00
Future UK pensioners at retirement age - male	23.00	22.00
Future UK pensioners at retirement age - female	<u>25.00</u>	<u>25.00</u>

21 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
Preference shares of £1 each	800	800	800	800
Ordinary shares of £1 each	<u>4,750</u>	<u>4,750</u>	<u>4,750</u>	<u>4,750</u>
	<u>5,550</u>	<u>5,550</u>	<u>5,550</u>	<u>5,550</u>

Rights, preferences and restrictions

Preference shares have the following rights, preferences and restrictions:

The dates on which the Company can redeem the preference shares are at the option of the Company and there is no premium payable on redemption. The preference shares do not entitle their holders to any rights to receive notice of, to be present, speak or vote, either in person or by proxy, at any general meetings of the Company. On a winding up of the Company the preference shareholders have the right to receive, in priority to any payments to ordinary shareholders, the amounts paid up on the preference shares.

22 Loans and borrowings

	2021 £ 000	2020 £ 000
Current loans and borrowings		
Bank overdrafts	<u>263</u>	<u>-</u>

23 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2021 £ 000	2020 £ 000
Not later than one year	74	251
Later than one year and not later than five years	<u>50</u>	<u>300</u>
	<u>124</u>	<u>551</u>

Lincoln Electric (U.K.) Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

24 Parent and ultimate parent undertaking

In the director's opinion, the company's ultimate parent undertaking and controlling party is Lincoln Electric Holdings Inc., a company incorporated in the USA. Copies of the group accounts, which include the Company, are available from the Lincoln Electric Holdings Inc., 22801 St. Clair Avenue, Cleveland, Ohio, 44117, USA

The company's immediate parent is Lincoln Electric UK Holdings Limited, incorporated in United Kingdom.

The ultimate controlling party is Lincoln Electric Inc.