

Red-D-Arc Limited

Annual report and financial statements

Registered number 02117903

Year ended 31 March 2016



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Strategic report

The directors present their annual report and audited financial statements for the year ended 31 March 2016.

Principal activities

The principal activity during the year of the Company was that of the sale and hire of rotating and positioning equipment.

Business review

The results for the year are shown on page 7.

Turnover increased to £14,288,140 from £12,035,952.

Operating profit was £2,215,921 compared to £2,429,454 in the previous period and the profit on ordinary activities before taxation moved to £2,244,706 from £2,296,535.

The performance in the year is in line with the expectations of the directors and reflects the ongoing trading performance of the company.

The company made a profit for the year after taxation of £1,827,135 (2015: £1,903,669).

The directors work closely with management to anticipate risks from economic or global factors and plan accordingly.

Analysis of financial key performance indicators

The company has a set number of Key Performance Indicators (KPI's) to assist management in monitoring and evaluating the performance of the business including:

- Gross profit on turnover
- Net margin on turnover
- EBIT

Principal risks and uncertainties

The principal risks and uncertainties facing the company are competitive and financial risks.

- *Economic risk*

The business is closely tied to non-residential construction. As such a steep down-turn in this sector will have a material impact on financial performance of the company.

In addition, trading is influenced by the macro-economic environment in the UK and abroad. Demand in the market is sensitive to economic conditions generally including economic growth, interest rate movements, inflation, unemployment and demographic trends.

- *Exposure credit and liquidity risk*

Company policies are aimed at minimising credit risk and require that credit is only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. The company regularly uses credit check resources, such as D&B, to help minimize risk.

- *Currency risk*

The company transacts primarily in GBP and Euros and holds cash in both currencies. The exposure is limited to short term trade receivables and payables. As such, the company has deemed this to be an acceptable level of risk and does not employ hedging strategies.

Strategic report *(continued)*

- *Competition risk*

The sales platform emphasizes quality of customer service vs. competitors. This approach is aimed to mitigate against aggressive pricing. This allows us to maintain a competitive and profitable pricing structure.

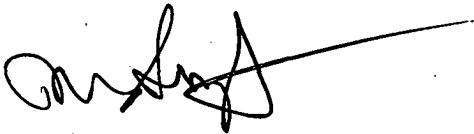
- *Reputation risk*

The company will continue to monitor complaints, understand root causes for negative feedback and aggressively address misrepresentations or misconceptions in the media and in the on-line consumer arena.

Future developments

Red-D-Arc's primary objective continues to grow the current business and integrate RDA welder and generator rentals into the business model and plans for 2017 moves this objective forward. The increase in sales and profitability continues to be driven by domestic UK power projects and other non-domestic energy projects – and was supplied by additional investment into the rental fleet. We expect demand to continue to rise, at a moderate pace, and to further increase investment in welders and generators as the business develops, with emphasis on expanding our presence via dealers in international markets that are rapidly expanding including Saudi Arabia and Australia.

By order of the board



TM Smyth
Director

Directors' report

Directors

Directors who held office during the year were as follows:

TM Smyth
RA McCrorie

Proposed dividend

The directors do not recommend the payment of a dividend.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirms that, so far as they are aware, there is no relevant audit information of which the Company's auditor is aware; and the directors have taken all the steps that they ought to have 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.

Auditor

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

By order of the board

A handwritten signature in black ink, appearing to read 'TM Smyth', with a long horizontal line extending to the right.

TM Smyth
Director

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Arlington Business Park
Theale
Reading
RG7 4SD
United Kingdom

Independent auditor's report to the members of Red-D-Arc Limited

We have audited the financial statements of Red-D-Arc Limited for the year ended 31 March 2016, set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 4, 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 web-site at www.frc.org.uk/auditscopeukprivate

Opinion on the 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 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent auditor's report to the members of Red-D-Arc Limited *(continued)*

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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Stevenson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Arlington Business Park
Theale
Reading
RG7 4SD

20 / 2 / 17

Profit and loss account and Other Comprehensive Income
for the year ended 31 March 2016

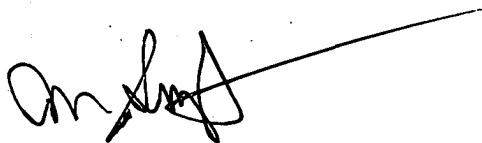
	<i>Note</i>	2016 £	2015 £
Turnover	2	14,288,140	12,035,952
Cost of sales		(8,953,262)	(6,627,616)
Gross profit		5,334,878	5,408,336
Administrative expenses		(3,118,957)	(2,978,882)
Operating profit	3	2,215,921	2,429,454
Interest receivable and other income	6	269,168	129,974
Interest payable and similar charges	7	(240,383)	(262,893)
Profit on ordinary activities before taxation		2,244,706	2,296,535
Tax on profit on ordinary activities	8	(417,571)	(392,866)
Profit for the financial year		1,827,135	1,903,669
Total comprehensive income for the year		1,827,135	1,903,669

The notes on pages 10 to 17 form part of these financial statements.

Balance sheet
at 31 March 2016

	<i>Note</i>	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	9		17,964,377		20,373,546
Current assets					
Stocks	10	1,629,124		1,320,595	
Debtors	11	5,244,435		4,343,609	
Cash at bank and in hand		5,811,957		3,397,842	
		<u>12,685,516</u>		<u>9,062,046</u>	
Creditors: amounts falling due within one year	12	<u>(2,203,158)</u>		<u>(2,412,586)</u>	
Net current assets			<u>10,482,358</u>		<u>6,649,460</u>
Total assets less current liabilities			<u>28,446,735</u>		<u>27,023,006</u>
Creditors: amounts falling due after more than one year	13		(11,861,380)		(12,461,380)
Provisions for liabilities	14		(1,497,545)		(1,300,951)
Net assets			<u>15,087,810</u>		<u>13,260,675</u>
Capital and reserves					
Called up share capital			1,000		1,000
Profit and loss account			15,086,810		13,259,675
Shareholders' funds			<u>15,087,810</u>		<u>13,260,675</u>

These financial statements were approved by the board of directors on 15 / 2 / 17 and were signed on its behalf by:



TM Smyth
Director

The notes on pages 10 to 17 form part of these financial statements.

Statement of Changes in Equity

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2014	1,000	11,356,006	11,357,006
Profit for the period	-	1,903,669	1,903,669
Total comprehensive income for the period	-	1,903,669	1,903,669
Balance at 31 March 2015	1,000	13,259,675	13,260,675

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 April 2015	1,000	13,259,675	13,260,675
Profit for the period	-	1,827,135	1,827,135
Total comprehensive income for the period	-	1,827,135	1,827,135
Balance at 31 March 2016	1,000	15,086,810	15,087,810

The notes on pages 10 to 17 form part of these financial statements.

Notes

(forming part of the financial statements)

1 - Accounting policies

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

Basis of preparation

Red-D-Arc Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is Sterling.

The Company's ultimate parent undertaking, Airgas Inc includes the Company in its consolidated financial statements the accounts of which can be obtained from the address given in note 17.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of Cash Flow Statement and related notes

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of how the transition to FRS 102 has affected financial position and financial performance of the Company is provided in note 18. The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives using the straight line method as follows:

Fixtures and fittings – 10 years

Motor vehicles – 5 years

Plant and machinery – 5 to 12 years

Foreign currencies

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

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes (continued)

1 Accounting policies (continued)

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Turnover

Turnover is the amount invoiced by the company for the following activities:

- Direct sales of equipment where revenue is recognised at point of despatch
- Rental income where revenue is recognised on an accrual basis when earned
- Service revenue is recognised when the work is completed

2 Analysis of turnover

	2016 £	2015 £
<i>By geographical market</i>		
UK	6,469,354	6,873,653
Rest of Europe and Scandinavia	243,999	243,671
Middle East	6,848,779	3,948,528
Rest of the world	726,008	970,100
	<hr/> 14,288,140 <hr/>	<hr/> 12,035,952 <hr/>

Notes (continued)

3 Expenses and auditor's remuneration

	2016 £	2015 £
<i>Included in the profit are the following:</i>		
Auditor's remuneration:		
Audit of these financial statements	17,500	27,500
Depreciation	1,552,269	1,867,465
(Profit) on disposal of fixed assets	(123,937)	(172,558)
Hire of other assets - land and buildings	195,714	167,898
	<u>17,500</u>	<u>27,500</u>

4 Remuneration of directors

None of the directors received any emoluments during the current or previous year.

5 Staff numbers and costs

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

	Number of employees 2016	2015
Management	2	1
Administration	2	2
Selling	4	5
Operations	27	35
	<u>35</u>	<u>43</u>

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	1,325,643	1,588,307
Social security costs	157,810	124,374
	<u>1,483,453</u>	<u>1,712,681</u>

6 Other net interest receivable and similar income

	2016 £	2015 £
Foreign exchange gain	269,168	129,974
	<u>269,168</u>	<u>129,974</u>

Notes (continued)

7 Other interest payable and similar charges

	2016 £	2015 £
Inter-company interest	240,383	262,893

8 Taxation

Analysis of charge in year

	2016 £	2015 £
<i>UK corporation tax at 20% (2015: 21%)</i>		
Current tax on income for the year	228,031	81,664
Adjustment in respect of previous year	(7,054)	-
Total current tax	220,977	81,664
Double tax relief	(63,931)	(81,664)
	157,046	-
<i>Foreign tax</i>		
Current tax on income for the year	63,931	81,664
Total current tax	220,977	81,664
<i>Deferred tax</i>		
Current year	220,182	326,762
Rate difference	(166,394)	(15,560)
Adjustment in respect of prior years	142,806	-
Total deferred tax	196,594	311,202
Total tax charge	417,571	392,866

Notes (continued)

8 Taxation (continued)

Reconciliation of effective rate tax

	2016 £	2015 £
Profit for the year after tax	2,197,135	1,903,669
Total tax expense	47,571	392,866
Profit for the year before tax	2,244,706	2,296,535
Current tax charge at 20% (2015: 21%)	448,941	482,272
<i>Effects of:</i>		
Expenses not deductible for tax purposes	9,041	8,696
Other timing differences	(166,394)	(16,800)
Non-taxable income	-	(66,124)
Group relief claimed	(9,769)	(15,178)
Adjustment in respect of previous year	135,752	-
Total tax charge – see above	417,571	392,866

9 Tangible fixed assets

	Plant and Machinery £	Fixtures and Equipment £	Motor Vehicles £	Total £
<i>Cost</i>				
At 1 April 2015	25,861,309	261,527	300,548	26,423,384
Additions	2,514,180	25,263	77,919	2,617,362
Disposals	(4,017,776)	-	(27,920)	(4,045,696)
At 31 March 2016	24,357,713	286,790	350,547	24,995,050
<i>Depreciation</i>				
At 1 April 2015	5,764,860	114,043	170,935	6,049,838
Charge for year	1,446,747	33,607	71,915	1,552,269
On disposals	(548,598)	-	(22,836)	(571,434)
At 31 March 2016	6,663,009	147,650	220,014	7,030,673
<i>Net book value</i>				
At 31 March 2016	17,694,704	139,140	130,533	17,964,377
At 1 April 2015	20,096,449	147,484	129,613	20,373,546

Notes (continued)

10 Stocks

	2016 £	2015 £
Finished goods and goods for resale	<u>1,629,124</u>	<u>1,320,595</u>

11 Debtors

	2016 £	2015 £
Trade debtors	3,342,157	3,258,889
Corporation tax	-	-
Other debtors	811,967	5,349
Amount owed from group undertakings	817,411	817,411
Prepayments and accrued income	272,900	261,960
	<u>5,244,435</u>	<u>4,343,609</u>

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,145,100	702,810
Amount owed to group undertakings	322,860	426,660
VAT	42,041	62,712
Other taxation and social security	7,018	43,290
Corporate tax	157,046	-
Accruals and deferred income	529,093	1,177,114
	<u>2,203,158</u>	<u>2,412,586</u>

13 Creditors: amounts falling due after more than one year

	2016 £	2015 £
Amounts owed to group undertakings	<u>11,861,380</u>	<u>12,461,380</u>

Notes (continued)

14 Provisions for liabilities – deferred tax

	2016 £	2015 £
At beginning of year	1,300,951	989,749
Movement in the year	196,594	311,202
At end of year	1,497,545	1,300,951

The deferred tax provision is calculated at 18% which primarily relates to the difference between accumulated depreciation and accelerated capital allowances.

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current and deferred tax charge accordingly.

15 Called up share capital

	2016 £	2015 £
<i>Allotted, called up and fully paid</i> 1,000 Ordinary shares of £1 each	1,000	1,000

16 Commitments

Non-cancellable operating lease rentals are payable as follows:

	2016 £	2015 £
Within one year	201,339	200,339
Between 2 and 5 years	589,041	773,428
	790,380	973,767

During the year £195,714 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £167,898).

17 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a subsidiary undertaking of RED-D ARC Limited incorporated in the England & Wales.

The largest group in which the results of the Company are consolidated is that headed by Airgas Inc incorporated in UNITED STATES the financial statements of which are available to the public and may be obtained from www.airgas.com – click on “2016 Annual Report”.

Notes *(continued)*

18 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016 and the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing its FRS 102 financial statements, the Company was not required to adjust any amounts reported previously in financial statements prepared in accordance with its old basis of accounting UK GAAP.