

Red-D-Arc Limited

Annual' report and financial statements

Registered number 02117903

Year ended 31 March 2014

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Strategic report

The directors present their annual report and audited financial statements for the year ended 31 March 2014.

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 £8,454,950 from £7,861,584.

Operating profit was £2,170,783 compared to £2,298,177 in the previous period and the profit on ordinary activities before taxation decreased to £1,714,553 from £2,157,009.

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 £1,453,616. (2013: £1,917,177).

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 the year ended 31 March 2014 moved 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.

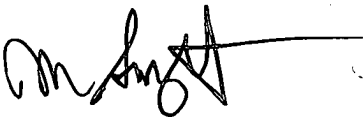
Disclosure of information to auditor

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).

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 2014, set out on pages 7 to 15. 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 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 2014 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

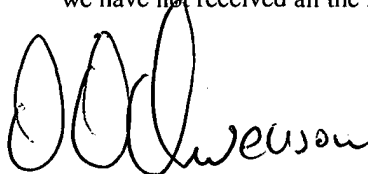
In our opinion the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



15/12/2014

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

Profit and loss account
for the year ended 31 March 2014

	<i>Note</i>	2014 £	2013 £
Turnover	2	8,454,950	7,861,584
Cost of sales		(4,407,754)	(3,831,065)
Gross profit		4,047,196	4,030,519
Administrative expenses		(1,876,413)	(1,732,342)
Operating profit	3	2,170,783	2,298,177
Interest receivable and similar income	6	(159,590)	34,704
Interest payable and similar charges	7	(296,640)	(175,872)
Profit on ordinary activities before taxation		1,714,553	2,157,009
Tax on profit on ordinary activities	8	(260,937)	(239,832)
Profit for the financial year	16/17	1,453,616	1,917,177

The Company has no recognised gains or losses other than those shown above.

All figures relate to continuing activities.

Balance sheet
at 31 March 2014

	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	9		20,805,835		15,607,157
Current assets					
Stocks	10	1,801,930		1,723,077	
Debtors	11	3,296,021		3,168,004	
Cash at bank and in hand		933,541		561,707	
		<u>6,031,492</u>		<u>5,452,788</u>	
Creditors: amounts falling due within one year	12	<u>(2,249,572)</u>		<u>(1,717,238)</u>	
Net current assets			<u>3,781,920</u>		<u>3,735,550</u>
Total assets less current liabilities			<u>24,587,755</u>		<u>19,342,707</u>
Creditors: amounts falling due after more than one year	13		(12,241,000)		(8,641,000)
Provisions for liabilities	14		(989,749)		(798,317)
Net assets			<u>11,357,006</u>		<u>9,903,390</u>
Capital and reserves					
Called up share capital	15		1,000		1,000
Profit and loss account	16		11,356,006		9,902,390
Shareholders' funds	17		<u>11,357,006</u>		<u>9,903,390</u>

These financial statements were approved by the board of directors on Dec. 8, 2014 and were signed on its behalf by:



TM Smyth
Director

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

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

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As 100% of the Company's voting rights are controlled within the group headed by Airgas Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of Airgas Inc, within which this Company is included, can be obtained from the address stated in note 19.

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

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases and hire purchase agreements are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Stocks

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

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Notes (continued)

1 Accounting policies (continued)

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

	2014 £	2013 £
<i>By geographical market</i>		
UK	4,059,295	2,938,135
Rest of Europe and Scandanavia	1,343,030	2,125,221
Middle East	1,604,536	1,936,995
Rest of the world	1,448,089	861,233
	<u>8,494,950</u>	<u>7,861,584</u>

3 Profit on ordinary activities before taxation

	2014 £	2013 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditor's remuneration:		
Audit of these financial statements	26,000	25,500
Depreciation	1,543,377	990,326
(Profit)/loss on disposal of fixed assets	(140,377)	406,514
Hire of other assets - land and buildings	84,456	80,411
	<u>1,413,456</u>	<u>1,402,751</u>

4 Remuneration of directors

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

Notes (continued)

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	
	2014	2013
Management	1	1
Administration	1	1
Selling	3	3
Operations	14	14
	<hr/>	<hr/>
	19	19
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2014	2013
	£	£
Wages and salaries	824,431	694,746
Social security costs	61,392	68,676
	<hr/>	<hr/>
	885,823	763,422
	<hr/>	<hr/>

6 Other net interest receivable and similar income

	2014	2013
	£	£
Foreign exchange gain(loss)	(159,590)	34,704
	<hr/>	<hr/>

7 Other interest payable and similar charges

	2014	2013
	£	£
Bank interest	296,640	175,872
	<hr/>	<hr/>

Notes (continued)

8 Taxation

Analysis of charge in year

	2014 £	2013 £
<i>UK corporation tax at 23% (2013: 24%)</i>		
Current tax on income for the year	70,073	188,440
Adjustment in respect of previous year	(568)	(106,482)
	<hr/>	<hr/>
Total current tax	69,505	81,958
Double tax relief	(70,073)	(107,889)
	<hr/>	<hr/>
	(568)	(25,931)
<i>Foreign tax</i>		
Current tax on income for the year	70,073	107,889
	<hr/>	<hr/>
Total current tax	69,505	81,958
	<hr/>	<hr/>
<i>Deferred tax</i>		
Current year	339,896	283,351
Rate difference	(148,462)	(34,710)
Adjustment in respect of prior years	(2)	(90,767)
	<hr/>	<hr/>
Total deferred tax	191,432	157,874
	<hr/>	<hr/>
Total tax charge	260,937	239,832
	<hr/>	<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is lower (2013: lower) than the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

	2014 £	2013 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	1,714,553	2,157,009
	<hr/>	<hr/>
Current tax charge at 23% (2013: 24%)	394,347	517,682
<i>Effects of:</i>		
Expenses not deductible for tax purposes	19,596	230
Depreciation less than capital allowances	(339,896)	(283,350)
Adjustments in respect of capital gains	-	(36,425)
Group relief claimed	(3,974)	(9,697)
Adjustment in respect of previous year	(568)	(106,482)
	<hr/>	<hr/>
Total current tax charge – see above	69,505	81,958
	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets

	Plant and Machinery £	Fixtures and Equipment £	Motor Vehicles £	Total £
Cost				
At 1 April 2013	18,656,100	163,920	194,018	19,014,038
Additions	7,684,239	30,671	-	7,714,910
Disposals	(1,162,946)	-	-	(1,162,946)
At 31 March 2014	25,177,393	194,591	194,018	25,566,002
Depreciation				
At 1 April 2013	3,229,836	68,983	108,062	3,406,881
Charge for year	1,495,643	16,193	31,541	1,543,377
On disposals	(190,091)	-	-	(190,091)
At 31 March 2014	4,535,388	85,176	139,603	4,760,167
Net book value				
At 31 March 2014	20,642,005	109,415	54,415	20,805,835
At 1 April 2013	15,426,264	94,937	85,956	15,607,157

10 Stocks

	2014 £	2013 £
Finished goods and goods for resale	1,801,930	1,723,077

11 Debtors

	2014 £	2013 £
Trade debtors	2,341,225	1,957,778
VAT	22,763	71,562
Corporation tax	9,947	234,949
Other debtors	5,448	2,061
Amount owed from group undertakings	817,411	817,411
Prepayments and accrued income	99,227	84,243
	3,296,021	3,168,004

Notes (continued)

12 Creditors: amounts falling due within one year

	2014	2013
	£	£
Trade creditors	1,594,108	1,490,103
Other taxation and social security	45,368	-
Accruals and deferred income	610,096	227,135
	<u>2,249,572</u>	<u>1,717,238</u>

13 Creditors: amounts falling due after more than one year

	2014	2013
	£	£
Amounts owed to group undertakings	<u>12,241,000</u>	<u>8,641,000</u>

14 Provisions for liabilities – deferred tax

	2014	2013
	£	£
At beginning of year	798,317	640,443
Movement in the year	191,432	157,874
At end of year	<u>989,749</u>	<u>798,317</u>

The deferred tax provision of £989,749 (2013: £798,317) is calculated at 20% (2013: 23%), which primarily relates to the difference between accumulated depreciation and accelerated capital allowances.

The UK corporation tax main rate reduced from 24% to 23% in the period, effective from 1 April 2013. The main rate will reduce to 21% from 1 April 2014 and further reduce to 20% from 1 April 2015, this was substantially enacted for financial reporting purposes on 2 July 2013. This will reduce the company's future current tax and deferred tax accordingly.

15 Called up share capital

	2014	2013
	£	£
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

Notes (continued)

16 Profit and loss account

	2014 £	2013 £
At beginning of year	9,902,390	7,985,213
Profit for the year	1,453,616	1,917,177
	<hr/>	<hr/>
At end of year	11,356,006	9,902,390
	<hr/>	<hr/>

17 Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Profit for the financial year	1,453,616	1,917,177
	<hr/>	<hr/>
Net increase in shareholders' funds	1,453,616	1,917,177
Shareholders' funds at beginning of year	9,903,390	7,986,213
	<hr/>	<hr/>
Shareholders' funds at end of year	11,357,006	9,903,390
	<hr/>	<hr/>

18 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2014 Land and Buildings £	2014 Other £	2013 Land and Buildings £	2013 Other £
<i>Operating leases which expire:</i>				
In the second to fifth years inclusive	165,339	-	79,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
	165,339	-	79,000	-
	<hr/>	<hr/>	<hr/>	<hr/>

19 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 “2014 Annual Report”.